ASUSTEK COMPUTER INC. AND SUBSIDIARIES

Consolidated Financial Statements

With Independent Auditors’ Report Thereon

December 31, 2017 and 2016

(Stock code: 2357)

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For the convenience of readers and for information purpose only, the independent auditors’ report and the accompanying financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. In the event of any discrepancy between the English version and the original Chinese version or any differences in the interpretation of the two versions, the Chinese-language independent auditors’ report and financial statements shall prevail.

Independent Auditors' Report

To the Board of Directors and Shareholders of

ASUSTEK COMPUTER INC.:

Opinion

We have audited the accompanying consolidated balance sheets of ASUSTEK COMPUTER INC. and its subsidiaries (the "Group") as of December 31, 2017 and 2016, and the related consolidated statements of comprehensive income, of changes in equity and of cash flows for the years ended December 31, 2017 and 2016, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, based on our audits and the reports of the other independent auditors, as described in the Other matters section of our report, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2017 and 2016, and its consolidated financial performance and its consolidated cash flows for the years ended December 31, 2017 and 2016 in accordance with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers" and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the Financial Supervisory Commission.

Basis for opinion

We conducted our audits in accordance with the "Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants" and generally accepted auditing standards in the Republic of China ("ROC GAAS"). Our responsibilities under those standards are further described in the Independent Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the Code of Professional Ethics for Certified Public Accountants in the

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Republic of China (the “Code”), and we have fulfilled our other ethical responsibilities in accordance with the Code. Based on our audits and the reports of the other independent auditors, we believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole and, in forming our opinion thereon, we do not provide a separate opinion on these matters.
Key audit matters for the Group’s consolidated financial statements in the current period are stated as follows:

Evaluation of inventories

Description

Refer to Note 4(13) for the accounting policies on the evaluation of inventories, Note 5 for the uncertainty of accounting estimations and assumptions for evaluation of inventories, and Note 6(8) for the details of allowance for inventory valuation loss.

The Group is primarily engaged in the design, R&D, and sales of 3C products. Due to the rapid technological innovations and competition within the industry, frequent releases of new products result in potential price fluctuations and product marginalization in the market. Additionally, it also affects the estimation of net realisable values of inventories.

In response to changing markets and its development strategies, the Group adjusts its inventory levels. The Group’s primary product line is notebook computer. Smartphone has also become a main focus product in the last few years. As a result, the related inventory levels for both product lines are significant. Management evaluates inventories stated at the lower of cost and net realisable value. Since the evaluation of inventories is subject to management’s judgment and the accounting estimations will have significant influence on the inventory values, the evaluation of inventories has been identified a key audit matter.

How our audit addressed the matter

We have performed primary audit procedures for the above matter as follows:

1. Assessed the policy on allowance for inventory valuation loss, based on our understanding of the Group's operations and industry.
2. Inspected the management's individually identified out-of-date inventory list and checked the related supporting documents.
3. Tested the basis of market value used in calculating the net realisable value of inventory and validated the accuracy of net realisable value calculation of selected samples.

Provision for sales returns and discounts

Description

Refer to Note 4(26) for the accounting policies on provisions for liabilities, Note 5 for the uncertainty of accounting estimations and assumptions for provision for sales returns and discounts, and Note 6(16) for the details of provision for sales returns and discounts. As of December 31, 2017, provision for sales returns and discounts amounted to $20,350,947 thousand.

The Group periodically estimates sales returns and discounts based on each product line's actual sales returns and discounts, and considers if there are special factors which will affect the original estimations. Since the provision for sales returns and discounts is subject to management's judgment and the market of 3C products changes rapidly, management's use of historical experience to accrue provision for future sales returns and discounts will cause uncertainty of accounting estimations. Thus, provision for sales returns and discounts has been identified a key audit matter.

How our audit addressed the matter

We have performed primary audit procedures for the above matter as follows:

1. Assessed the reasonableness of policies used in estimating provision for sales returns and discounts, taking into consideration actual sales returns and discounts. Performed sample testing to verify whether the accrual rates have been approved appropriately.

2. Selected samples and tested the calculation logic used in the provision for sales returns and discounts statements, including accrual and reversal statements of provision for sales returns and discounts.
3. Selected samples and confirmed the accrual amounts based on the accrual statements of provision for sales returns and discounts have been properly recognised in the financial statements.
4. Selected samples and confirmed the reversal amounts based on the reversal statements of provision for sales returns and discounts have been properly recognised in the financial statements and checked against the original vouchers.

Other matter – Reference to the audits of other independent auditors

We did not audit the financial statements of certain consolidated subsidiaries and investments accounted for under the equity method, which statements reflect total assets of $7,260,183 thousand and $8,243,605 thousand (including investments accounted for under the equity method amounting to $119,517 thousand and $101,532 thousand), constituting 2.11% and 2.26% of consolidated total assets as of December 31, 2017 and 2016, respectively, total operating revenues of $27,967,397 thousand and $38,604,597 thousand, constituting 6.44% and 8.27% of consolidated operating revenues for the years ended December 31, 2017 and 2016, respectively, and the share of profit and other comprehensive income of associates and joint ventures accounted for under the equity method of $22,777 thousand and $3,960 thousand, constituting 0.36% and 0.02% of consolidated comprehensive income for the years ended December 31, 2017 and 2016, respectively. The financial statements of these investee companies were audited by other independent auditors whose reports thereon have been furnished to us and our opinion expressed herein, insofar as it relates to the amounts included in the consolidated financial statements and information disclosed relative to these consolidated subsidiaries and investments accounted for under the equity method, is based solely on the reports of other independent auditors.

Other matter – Parent company only financial reports

We have audited and expressed an unmodified opinion on the parent company only financial statements of ASUSTEK COMPUTER INC. as of and for the years ended December 31, 2017 and 2016.

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Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers" and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the Financial Supervisory Commission, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance, including the Audit Committee, are responsible for overseeing the Group's financial reporting process.

Independent Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ROC GAAS will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ROC GAAS, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is

higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our auditor's report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Chou, Chien-Hung

Chang, Ming-Hui

for and on behalf of PricewaterhouseCoopers, Taiwan

March 16, 2018

ASUSTEK COMPUTER INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2017 AND 2016
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

ASSETS	Notes	DECEMBER 31, 2017 AMOUNT	%	DECEMBER 31, 2016 AMOUNT	%
Current assets					
Cash and cash equivalents	6(1)	$ 72,192,962	21	$ 87,692,669	24
Financial assets at fair value through profit or loss - current	6(2)	8,057,062	3	6,170,649	2
Available-for-sale financial assets - current	6(3)	803,394	-	313,448	-
Derivative financial assets for hedging - current	6(5)	11,392	-	1,329,360	-
Notes receivable	6(6)	8,369,528	3	4,890,436	1
Trade receivables	6(6)(7) and 7	76,509,775	22	79,807,901	22
Other receivables	7	629,230	-	545,384	-
Inventories	6(8)	83,055,957	24	87,094,696	24
Prepayments		7,753,577	2	6,023,824	2
Other current assets	8	205,503	-	103,732	-
Total current assets		257,588,380	75	273,972,099	75
Non-current assets					
Available-for-sale financial assets - non-current	6(3)	54,233,390	16	58,393,833	16
Financial assets carried at cost - non-current	6(4)	181,313	-	153,458	-
Investments accounted for under equity method	6(9)	364,542	-	356,037	-
Property, plant and equipment	6(10) and 8	15,250,476	4	13,743,767	4
Investment property		4,003,398	1	4,007,221	1
Intangible assets	6(11)	1,953,183	1	1,898,724	1
Deferred income tax assets	6(26)	8,202,158	2	8,795,857	2
Other non-current assets	6(12) and 8	3,114,329	1	2,898,930	1
Total non-current assets		87,302,789	25	90,247,827	25
TOTAL ASSETS		$ 344,891,169	100	$ 364,219,926	100

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ASUSTEK COMPUTER INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2017 AND 2016
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

		DECEMBER 31, 2017		DECEMBER 31, 2016	
LIABILITIES AND EQUITY	Notes	AMOUNT	%	AMOUNT	%
Current liabilities					
Short-term borrowings	6(13)	$ 5,750,078	2	$ 2,978,526	1
Financial liabilities at fair value through profit or loss - current	6(2)	429,979	-	148,975	-
Derivative financial liabilities for hedging - current	6(5)	682,446	-	46,526	-
Notes and trade payables	6(7) and 7	56,494,911	17	73,544,002	20
Other payables - accrued expenses	7	39,704,639	12	38,104,869	11
Current income tax liabilities		4,604,939	1	5,173,029	1
Provisions for liabilities - current	6(16) and 9	41,179,190	12	43,296,679	12
Receipts in advance		781,602	-	595,293	-
Current portion of long-term borrowings	6(14)	2,750	-	728,092	-
Other current liabilities	7	4,255,639	1	3,880,921	1
Total current liabilities		153,886,173	45	168,496,912	46
Non-current liabilities					
Long-term borrowings	6(14)	1,011,177	-	540,000	-
Deferred income tax liabilities	6(26)	10,673,666	3	10,384,511	3
Other non-current liabilities	6(15)	645,850	-	581,289	-
Total non-current liabilities		12,330,693	3	11,505,800	3
Total liabilities		166,216,866	48	180,002,712	49
Equity attributable to shareholders of the parent					
Share capital - common shares	6(17)	7,427,603	2	7,427,603	2
Capital surplus	6(18)(28)	5,554,197	1	5,079,722	1
Retained earnings	6(19)(26)				
Legal reserve		33,429,055	10	31,508,782	9
Special reserve		693,941	-	693,941	-
Unappropriated retained earnings		102,790,860	30	101,793,153	28
Other equity	6(3)(5)(20)(26)	25,248,529	8	34,982,282	10
Total equity attributable to shareholders of the parent		175,144,185	51	181,485,483	50
Non-controlling interest	6(28)	3,530,118	1	2,731,731	1
Total equity		178,674,303	52	184,217,214	51
TOTAL LIABILITIES AND EQUITY		$ 344,891,169	100	$ 364,219,926	100

The accompanying notes are an integral part of these consolidated financial statements.

ASUSTEK COMPUTER INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS, EXCEPT EARNINGS PER SHARE DATA)

Items	Notes	2017 AMOUNT	2017 %	2016 AMOUNT	2016 %
Operating revenue	6(21) and 7	$ 433,966,791	100	$ 466,802,706	100
Operating costs	6(8)(15)(24)(25) and 7	(374,562,306)	(86)	(400,575,339)	(86)
Gross profit		59,404,485	14	66,227,367	14
Operating expenses	6(12)(15)(24)(25), 7 and 9				
Selling expenses		(24,767,150)	(6)	(26,349,734)	(5)
General and administrative expenses		(6,971,426)	(2)	(7,826,774)	(2)
Research and development expenses		(14,931,072)	(3)	(13,298,904)	(3)
Total operating expenses		(46,669,648)	(11)	(47,475,412)	(10)
Operating profit		12,734,837	3	18,751,955	4
Non-operating income and expenses					
Other income	6(22)	3,910,368	1	3,717,455	1
Other gains (losses)	6(2)(3)(10)(11)(23)	3,469,793	1	1,861,529	-
Finance costs		(175,235)	-	(62,445)	-
Share of profit of associates and joint ventures accounted for under equity method	6(9)	23,971	-	13,455	-
Total non-operating income and expenses		7,228,897	2	5,529,994	1
Profit before income tax		19,963,734	5	24,281,949	5
Income tax expenses	6(26)	(3,923,740)	(1)	(4,663,545)	(1)
Profit for the year		$ 16,039,994	4	$ 19,618,404	4
Other comprehensive income					
Components of other comprehensive income that will not be reclassified to profit or loss					
Remeasurements of defined benefit plan	6(15)(20)	($ 22,282)	-	($ 35,593)	-
Income tax relating to components of other comprehensive income	6(26)	1,222	-	15,979	-
Components of other comprehensive income that will be reclassified to profit or loss					
Financial statements translation differences of foreign operations	6(20)	(4,856,680)	(2)	(923,066)	-
Unrealized gain (loss) on valuation of available-for-sale financial assets	6(3)(20)	(3,721,315)	(1)	6,136,840	1
Gain (loss) on effective portion of cash flow hedges	6(5)(20)	(1,953,888)	-	395,549	-
Share of other comprehensive income (loss) of associates and joint ventures accounted for under equity method	6(9)(20)	(111)	-	(137)	-
Income tax relating to the components of other comprehensive income	6(20)(26)	803,136	-	119,309	-
Other comprehensive income (loss) for the year		($ 9,749,918)	(3)	$ 5,708,881	1
Total comprehensive income for the year		$ 6,290,076	1	$ 25,327,285	5
Profit attributable to:					
Shareholders of the parent		$ 15,544,905	4	$ 19,202,737	4
Non-controlling interest		495,089	-	415,667	-
		$ 16,039,994	4	$ 19,618,404	4
Total comprehensive income attributable to:					
Shareholders of the parent		$ 5,811,152	1	$ 24,914,879	5
Non-controlling interest		478,924	-	412,406	-
		$ 6,290,076	1	$ 25,327,285	5
Earnings per share (In dollars)	6(27)				
Basic earnings per share		$ 20.93		$ 25.85	
Diluted earnings per share		$ 20.79		$ 25.60	

The accompanying notes are an integral part of these consolidated financial statements.

ASUSTEK COMPUTER INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

	Equity attributable to shareholders of the parent												
		Capital surplus		Retained earnings			Other equity						
	Common shares	Share premium	Others	Legal reserve	Special reserve	Unappropriated retained earnings	Financial statements translation differences of foreign operations	Unrealized gain on valuation of available-for-sale financial assets	Gain (loss) on effective portion of cash flow hedges	Remeasurements of defined benefit plan	Total	Non-controlling interest	Total equity
For the year ended December 31, 2016													
Balance at January 1, 2016	$ 7,427,603	$ 4,227,966	$ 491,687	$ 29,799,035	$ 699,231	$ 95,436,277	$ 2,927,648	$ 25,514,835	$ 887,285	($ 59,628)	$ 167,351,939	$ 2,076,007	$ 169,427,946
Appropriations of 2015 earnings (Note 6(19))													
Legal reserve	-	-	-	1,709,747	-	(1,709,747)	-	-	-	-	-	-	-
Cash dividends	-	-	-	-	-	(11,141,404)	-	-	-	-	(11,141,404)	-	(11,141,404)
Profit for the year	-	-	-	-	-	19,202,737	-	-	-	-	19,202,737	415,667	19,618,404
Other comprehensive income (loss) for the year	-	-	-	-	-	-	(777,898)	6,113,856	395,549	(19,365)	5,712,142	(3,261)	5,708,881
Reversal of special reserve	-	-	-	-	(5,290)	5,290	-	-	-	-	-	-	-
Change in associates and joint ventures accounted for under equity method	-	-	1,630	-	-	-	-	-	-	-	1,630	-	1,630
Difference between consideration and carrying amount of subsidiaries acquired or disposed	-	-	358,439	-	-	-	-	-	-	-	358,439	-	358,439
Non-controlling interest	-	-	-	-	-	-	-	-	-	-	-	243,318	243,318
Balance at December 31, 2016	$ 7,427,603	$ 4,227,966	$ 851,756	$ 31,508,782	$ 693,941	$ 101,793,153	$ 2,149,750	$ 31,628,691	$ 1,282,834	($ 78,993)	$ 181,485,483	$ 2,731,731	$ 184,217,214
For the year ended December 31, 2017													
Balance at January 1, 2017	$ 7,427,603	$ 4,227,966	$ 851,756	$ 31,508,782	$ 693,941	$ 101,793,153	$ 2,149,750	$ 31,628,691	$ 1,282,834	($ 78,993)	$ 181,485,483	$ 2,731,731	$ 184,217,214
Appropriations of 2016 earnings (Note 6(19))													
Legal reserve	-	-	-	1,920,273	-	(1,920,273)	-	-	-	-	-	-	-
Cash dividends	-	-	-	-	-	(12,626,925)	-	-	-	-	(12,626,925)	-	(12,626,925)
Profit for the year	-	-	-	-	-	15,544,905	-	-	-	-	15,544,905	495,089	16,039,994
Other comprehensive income (loss) for the year	-	-	-	-	-	-	(4,025,708)	(3,734,883)	(1,953,888)	(19,274)	(9,733,753)	(16,165)	(9,749,918)
Change in associates and joint ventures accounted for under equity method	-	-	476	-	-	-	-	-	-	-	476	-	476
Difference between consideration and carrying amount of subsidiaries acquired or disposed	-	-	51,471	-	-	-	-	-	-	-	51,471	-	51,471
Recognition of changes in ownership interest in subsidiaries	-	-	422,528	-	-	-	-	-	-	-	422,528	-	422,528
Non-controlling interest	-	-	-	-	-	-	-	-	-	-	-	319,463	319,463
Balance at December 31, 2017	$ 7,427,603	$ 4,227,966	$ 1,326,231	$ 33,429,055	$ 693,941	$ 102,790,860	($ 1,875,958)	$ 27,893,808	($ 671,054)	($ 98,267)	$ 175,144,185	$ 3,530,118	$ 178,674,303

The accompanying notes are an integral part of these consolidated financial statements.

ASUSTEK COMPUTER INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

	FOR THE YEARS ENDED DECEMBER 31,	
	2017	2016
Cash flows from operating activities		
Profit before income tax for the year	$ 19,963,734	$ 24,281,949
Adjustments to reconcile profit before income tax to net cash provided by (used in) operating activities		
Income and expenses that result in non-cash flows		
Depreciation (including investment property)	1,250,126	1,218,758
Amortisation	403,056	385,023
Bad debt provision (reversal) of allowance for doubtful accounts	(379,220)	370,385
Net gain (loss) on financial assets or liabilities at fair value through profit or loss	2,335,591	(1,546,659)
Share of profit of associates and joint ventures accounted for under equity method	(23,971)	(13,455)
Interest income	(1,081,957)	(866,175)
Dividend income	(2,828,411)	(2,851,280)
Interest expense	175,235	62,445
Others	(1,014)	162,932
Changes in assets/liabilities relating to operating activities		
Financial assets at fair value through profit or loss	(1,020,392)	1,901,657
Notes receivable	(3,479,231)	(78,842)
Trade receivables	3,917,500	(1,664,388)
Other receivables	236	416,315
Inventories	4,038,739	17,050,112
Prepayments	(1,511,178)	843,696
Other current assets	(98,224)	30,857
Financial liabilities at fair value through profit or loss	(2,961,612)	(2,071,520)
Notes and trade payables	(17,057,959)	14,936,229
Other payables - accrued expenses	366,320	(4,713,526)
Provisions for liabilities	(2,117,489)	5,259,984
Receipts in advance	186,309	(258,822)
Other current liabilities	328,356	(78,420)
Other operating liabilities	23,412	15,095
Receipt of interest	1,072,580	868,819
Payment of interest	(204,271)	(236,003)
Payment of income tax	(2,677,119)	(4,120,599)
Net cash flows provided by (used in) operating activities	(1,380,854)	49,304,567
Cash flows from investing activities		
Acquisition of property, plant and equipment	(2,100,196)	(5,568,345)
Acquisition of investment property	-	(3,921,506)
Acquisition of intangible assets	(337,823)	(169,226)
Decrease (increase) in refundable deposits	(102,684)	60,542
Changes in other non-current assets	(264,042)	(1,042,301)
Receipt of dividends	2,842,531	2,865,857
Others	38,975	13,512
Net cash flows provided by (used in) investing activities	76,761	(7,761,467)
Cash flows from financing activities		
Increase in short-term borrowings	2,771,552	1,160,101
Proceeds from long-term borrowings	2,328,800	1,880,000
Repayment of long-term borrowings	(2,572,824)	(2,765,611)
Increase in deposits received	19,338	123,603
Payment of cash dividends	(12,626,925)	(11,141,404)
Disposal of ownership interests in subsidiaries (without losing control)	64,433	286,188
Change in non-controlling interest	707,901	283,610
Others	698	549
Net cash flows provided by (used in) financing activities	(9,307,027)	(10,172,964)
Effects due to changes in exchange rate	(4,888,587)	(556,615)
Increase (decrease) in cash and cash equivalents	(15,499,707)	30,813,521
Cash and cash equivalents at beginning of year	87,692,669	56,879,148
Cash and cash equivalents at end of year	$ 72,192,962	$ 87,692,669

The accompanying notes are an integral part of these consolidated financial statements.

.ASUSTEK COMPUTER INC. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS,
EXCEPT AS OTHERWISE INDICATED)

1. **HISTORY AND ORGANIZATION**

(1) ASUSTEK COMPUTER INC. (ASUS or the Company) was established in the Republic of China (R.O.C.). The Company is primarily engaged in the design, R&D and sales of 3C products (including PCs, main boards, other boards and cards, tablet PCs, smart phones and other handheld devices, etc.).

(2) The Company resolved to spin-off its OEM businesses on January 1, 2008. Pursuant to the Company's resolution, the Company transferred its computer OEM, design and manufacture of computer cases and molds and non-computer OEM businesses to its spun-off subsidiaries, PEGATRON CORPORATION (PEGA) and UNIHAN CORPORATION, respectively. On June 1, 2010, however, the Company transferred further its OEM assets and business (the Company's investments accounted for under equity method in PEGA) to the Company's another investee, PEGATRON INTERNATIONAL INVESTMENT CO. LTD. (PII). PII issued new shares to the Company and its shareholders as consideration. On April 29, 2013, the Company disposed the partial shares of PEGA and reduced the ownership percentage to less than 20%.

2. **THE DATE OF AUTHORIZATION FOR ISSUANCE OF THE CONSOLIDATED FINANCIAL STATEMENTS AND PROCEDURES FOR AUTHORIZATION**

These consolidated financial statements were authorized for issuance by the Board of Directors on March 16, 2018.

3. **APPLICATION OF NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS**

(1) Effect of the adoption of new issuances of or amendments to International Financial Reporting Standards ("IFRSs") as endorsed by the Financial Supervisory Commission ("FSC")

New standards, interpretations and amendments in the IFRSs as endorsed by the FSC effective from 2017 are as follows:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IFRS 10, IFRS 12 and IAS 28, "Investment entities: applying the consolidation exception"	January 1, 2016
Amendments to IFRS 11, "Accounting for acquisition of interests in joint operations"	January 1, 2016
IFRS 14, "Regulatory deferral accounts"	January 1, 2016
Amendments to IAS 1, "Disclosure initiative"	January 1, 2016
Amendments to IAS 16 and IAS 38, "Clarification of acceptable methods of depreciation and amortisation"	January 1, 2016

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IAS 16 and IAS 41, "Agriculture: bearer plants"	January 1, 2016
Amendments to IAS 19, "Defined benefit plans: employee contributions"	July 1, 2014
Amendments to IAS 27, "Equity method in separate financial statements"	January 1, 2016
Amendments to IAS 36, "Recoverable amount disclosures for non-financial assets"	January 1, 2014
Amendments to IAS 39, "Novation of derivatives and continuation of hedge accounting"	January 1, 2014
IFRIC 21, "Levies"	January 1, 2014
Annual improvements to IFRSs 2010-2012 cycle	July 1, 2014
Annual improvements to IFRSs 2011-2013 cycle	July 1, 2014
Annual improvements to IFRSs 2012-2014 cycle	January 1, 2016

The above standards and interpretations have no significant impact to the Group's financial condition and financial performance based on the Group's assessments.

(2) Effect of new issuances of or amendments to International Financial Reporting Standards as endorsed by the FSC but not yet adopted by the Group

New standards, interpretations and amendments in the IFRSs as endorsed by the FSC effective from 2018 are as follows:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IFRS 2, "Classification and measurement of share-based payment transactions"	January 1, 2018
Amendments to IFRS 4, "Applying IFRS 9 Financial instruments with IFRS 4 Insurance contracts"	January 1, 2018
IFRS 9, "Financial instruments"	January 1, 2018
IFRS 15, "Revenue from contracts with customers"	January 1, 2018
Amendments to IFRS 15, "Clarifications to IFRS 15 Revenue from contracts with customers"	January 1, 2018
Amendments to IAS 7, "Disclosure initiative"	January 1, 2017
Amendments to IAS 12, "Recognition of deferred tax assets for unrealised losses"	January 1, 2017
Amendments to IAS 40, "Transfers of investment property"	January 1, 2018
IFRIC 22, "Foreign currency transactions and advance consideration"	January 1, 2018

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Annual improvements to IFRSs 2014-2016 cycle-Amendments to IFRS 1, “First-time adoption of International Financial Reporting Standards”	January 1, 2018
Annual improvements to IFRSs 2014-2016 cycle-Amendments to IFRS 12, “Disclosure of interests in other entities”	January 1, 2017
Annual improvements to IFRSs 2014-2016 cycle-Amendments to IAS 28, “Investments in associates and joint ventures”	January 1, 2018

Except for the following, the above standards and interpretations have no significant impact to the Group’s financial condition and financial performance based on the Group’s assessment.

A. IFRS 9, “Financial instruments”

(A) Classification of debt instruments is driven by the entity’s business model and the contractual cash flow characteristics of the financial assets, which would be classified as financial asset at fair value through profit or loss, financial asset at fair value through other comprehensive income or financial asset measured at amortised cost. Equity instruments would be classified as financial asset at fair value through profit or loss, unless an entity makes an irrevocable election at inception to recognize the equity instrument not held for trading at fair value in other comprehensive income.

(B) The impairment losses of debt instruments are assessed using an “expected credit loss” approach. An entity assesses at the end of each financial reporting period whether there has been a significant increase in credit risk on that instrument since initial recognition to recognize 12-month expected credit losses or lifetime expected credit losses (interest revenue would be calculated on the gross carrying amount of the asset before impairment losses occurred); or if the instrument that has objective evidence of impairment, interest revenue after the impairment would be calculated on the book value of net carrying amount (i.e. net of credit allowance). The Group shall always measure the loss allowance at an amount equal to lifetime expected credit losses for trade receivables that do not contain a significant financing component.

(C) The amended general hedge accounting makes the accounting practices consistent with an entity’s risk management strategy. The components and the grouping of non-financial items can be loosened as hedged items. The 80%~125% threshold of highly efficient hedge is removed, and that the hedged items and the hedged percentages that the hedge instruments can rebalance under the unchanged business objectives of risk management is increased.

B. IFRS 15, ‘‘Revenue from contracts with customers’’

The core principle of IFRS 15, “Revenue from contracts with customers” is that revenue is recognized to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. IFRS 15 establishes a five-step model that will apply to revenue earned from a contract with a customer, regardless of the type of revenue transaction or the industry. Extensive disclosures will be required, including disaggregation of revenue; information related to performance obligations; changes in contract asset and liability account balances between different periods and significant judgements and assumptions.

When adopting the new standards in the IFRS as endorsed by the FSC effective from 2018, summary of carrying amount and significant effects for Group's financial assets and financial liabilities when retrospectively applying IFRS 9 and IFRS 15 on January 1, 2018 are as following:

Affected accounts of consolidated balance sheet	Amount under 2017 IFRSs	Effect of adopting new standards	Amount under 2018 IFRSs	Remark
January 1, 2018				
Financial assets at fair value through profit or loss - current	$ 8,057,062	$ -	$ 8,057,062	
Financial assets at fair value through profit or loss - non-current	-	133,358	133,358	B
Available-for-sale financial assets - current	803,394	(803,394)	-	A
Available-for-sale financial assets - non-current	54,233,390	(54,233,390)	-	A、B
Financial assets at fair value through through other comprehensive income - non-current	-	803,394	803,394	A
Financial assets carried at cost - non-current	181,313	(181,313)	-	A、B
Total affected assets	$ 63,275,159	$ 27,018	$ 63,302,177	
Contract liabilities	$ -	$ 781,602	$ 781,602	C
Provisions for liabilities - current	41,179,190	(20,350,947)	20,828,243	C
Receipts in advance	781,602	(781,602)	-	C
Refund liabilities	-	20,350,947	20,350,947	C
Total affected liabilities	41,960,792	-	41,960,792	
Unappropriated retained earnings	102,790,860	289,922	103,080,782	A、B
Other equity	25,248,529	(262,904)	24,985,625	A、B
Total affected equity	128,039,389	27,018	128,066,407	
Total affected liabilities and equity	$ 170,000,181	$ 27,018	$ 170,027,199	

Explanation:

A. In accordance with IFRS 9, the Group will reclassify available-for-sale financial assets and financial assets carried at cost in the amounts of $54,948,924 and $121,542 and makes an irrevocable election on equity instruments not held for dealing or trading purpose. It results in an increase in financial assets at fair value through other comprehensive income of $55,111,757, an increase in retained earnings of $311,614 and a decrease in other equity of $270,323.

B. In accordance with IFRS 9, the Group will reclassify available-for-sale financial assets and financial assets carried at cost in the amounts of $87,860 and $59,771 to increase financial assets at fair value through profit or loss and decrease retained earnings and increase other equity in the amounts of $133,358, $21,692 and $7,419 respectively.

C. In accordance with IFRS 15, the Group expects to adjust the presentation of certain accounts in the balance sheet as follows:

(A) Under IFRS 15, estimated sales returns and discounts is recognized as refund liabilities, different from provisions for liabilities - current previously in the balance sheet. As of January 1, 2018, the balance would amount to $20,350,947.

(B) Under IFRS 15, liabilities relating to sales contracts are recognized as contract liabilities, different from receipts in advance previously in the balance sheet. As of January 1, 2018, the balance would amount to $781,602.

(3) International Financial Reporting Standards issued by IASB but not yet endorsed by the FSC

New standards, interpretations and amendments issued by IASB but not yet included in the IFRSs as endorsed by the FSC are as follows:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IFRS 9, "Prepayment features with negative compensation"	January 1, 2019
Amendments to IFRS 10 and IAS 28, "Sale or contribution of assets between an investor and its associate or joint venture"	To be determined by International Accounting Standards Board
IFRS 16, "Leases"	January 1, 2019
IFRS 17, "Insurance contracts"	January 1, 2021
Amendments to IAS 19, "Plan amendment, curtailment or settlement"	January 1, 2019
Amendments to IAS 28, "Long-term interests in associates and joint ventures"	January 1, 2019
IFRIC 23, "Uncertainty over income tax treatments"	January 1, 2019
Annual improvements to IFRSs 2015-2017 cycle	January 1, 2019

Except for the following, the above standards and interpretations have no significant impact to the Group's financial condition and financial performance based on the Group's assessment. The quantitative impact will be disclosed when the assessment is complete.

IFRS 16, "Leases"

IFRS 16, "Leases", replaces IAS 17, "Leases" and related interpretations and Standing Interpretations Committee (SICs). The standard requires lessees to recognize a "right-of-use asset" and a lease liability (except for those leases with terms of less than 12 months and leases of low-value assets). Lessor accounting still uses the dual classification approach: operating lease and finance lease, and only increases the related disclosures.

4. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

(1) Compliance statement

These consolidated financial statements of the Group have been prepared in accordance with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers", IFRSs, International Accounting Standards (IASs), International Financial Reporting Interpretations Committee and SICs as endorsed by the FSC.

(2) Basis of preparation

A. Except for the following significant items, these consolidated financial statements have been prepared under the historical cost convention:

(A) Financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss.

(B) Available-for-sale financial assets measured at fair value.

(C) Defined benefit liabilities recognized based on the net amount of pension fund assets less present value of defined benefit obligation.

B. The critical accounting estimates and assumptions used in preparation of financial statements and the critical judgements in applying the Group's accounting policies are disclosed in Note 5.

(3) Basis of consolidation

A. Basis for preparation of consolidated financial statements

(A) All subsidiaries are included in the Group's consolidated financial statements. Subsidiaries are all entities (including structured entities) controlled by the Group. The Group controls an entity when the Group is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Consolidation of subsidiaries begins from the date the Group obtains control of the subsidiaries and ceases when the Group loses control of the subsidiaries.

(B) Inter-company transactions, balances and unrealized gains or losses on transactions between companies within the Group are eliminated. Accounting policies of subsidiaries have been adjusted where necessary to ensure consistency with the policies adopted by the Group.

(C) Profit or loss and each component of other comprehensive income are attributed to the owners of the parent and to the non-controlling interests. Total comprehensive income is attributed to the owners of the parent and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

(D) Changes in a parent's ownership interest in a subsidiary that do not result in the parent losing control of the subsidiary (transactions with non-controlling interests) are accounted for as equity transactions, i.e. transactions with owners in their capacity as owners. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity.

(E) When the Group loses control of a subsidiary, the Group remeasures any investment retained in the former subsidiary at its fair value. That fair value is regarded as the fair value on initial recognition of a financial asset or the cost on initial recognition of the associate or joint venture. Any difference between fair value and carrying amount is recognized in profit or loss. All amounts previously recognized in other comprehensive income in relation to the subsidiary are reclassified to profit or loss, on the same basis as would be required if the related assets or liabilities were disposed of. That is, when the Group loses control of a subsidiary, all gains or losses previously recognized in other comprehensive income in relation to the subsidiary should be reclassified from equity to profit or loss, if such gains or losses would be reclassified to profit or loss when the related assets or liabilities are disposed of.

B. Subsidiaries included in the consolidated financial statements:

			Ownership (%)		
Investor	Subsidiary	Main business activities	2017/12/31	2016/12/31	Remark
ASUS	ASUS COMPUTER INTERNATIONAL (ACI)	Selling of 3C products in North America	100.00	100.00	
ASUS	ASUS TECHNOLOGY INCORPORATION (ASUTC)	Selling of 3C products in Taiwan	100.00	100.00	
ASUS	ASUS HOLLAND B. V. (ACH)	Repairing of 3C products	100.00	100.00	
ASUS	ASUS INTERNATIONAL LIMITED (AIL)	Investing in 3C and computer peripheral business	100.00	100.00	
ASUS	ASUSTEK HOLDINGS LIMITED (AHL)	Investing in computer peripherals business	100.00	100.00	
ASUS	ASUS GLOBAL PTE. LTD. (ASGL)	Selling of 3C products	100.00	100.00	
ASUS	ASUS CLOUD CORPORATION (ASUSCLOUD)	Selling and consulting of internet service	90.06	90.06	

Investor	Subsidiary	Main business activities	Ownership (%) 2017/12/31	Ownership (%) 2016/12/31	Remark
ASUS	ASKEY COMPUTER CORP. (ASKEY)	Designing, manufacturing, repairing and selling of communication products and computer peripheral spare parts	100.00	100.00	
ASUS	HUA-CHENG VENTURE CAPITAL CORP. (HCVC)	Investing in computer peripherals business	100.00	100.00	
ASUS	HUA-MIN INVESTMENT CO., LTD. (HMI)	Investing in computer peripherals business	100.00	100.00	
ASUS	AGAIT TECHNOLOGY CORPORATION (AGA)	Designing and selling of computer peripheral and smart vacuums	100.00	100.00	
ASUS	ASUS DIGITAL INTERNATIONAL PTE. LTD. (ADI)	Investing in computer peripherals business	100.00	100.00	
ASUS	PT. ASUS TECHNOLOGY INDONESIA JAKARTA (ACJK)	Selling of 3C products in Indonesia	100.00	-	
ASUS and HCVC	SHINEWAVE INTERNATIONAL INC. (SWI)	Developing, selling and consulting of information system software	51.00	51.00	
ASUS and HCVC	INTERNATIONAL UNITED TECHNOLOGY CO., LTD. (TAIWAN) (IUT)	Developing, manufacturing and selling of ink-jet print heads and ink-jet digital image output technology	56.73	56.73	
ASUS and HCVC	PT. ASUS TECHNOLOGY INDONESIA BATAM (ACBT)	Selling of 3C products in Indonesia	100.00	-	
ASUS, HCVC and HMI	ASMEDIA TECHNOLOGY INC. (ASMEDIA)	Designing, developing and manufacturing of high-speed analog circuit	53.11	53.37	
ASUS, HCVC and HMI	UPI SEMICONDUCTOR CORP. (UPI)	Designing, developing and selling of integrated circuits	52.03	52.03	
ASUS, HCVC and HMI	AAEON TECHNOLOGY INC. (AAEON)	Manufacturing and selling of industrial computers and computer peripherals	56.63	63.00	
ASUS, HCVC, HMI and AAEON	ONYX HEALTHCARE INC. (ONYX)	Designing, manufacturing and selling of medical computers	55.86	57.22	Note 3 and 4
SWI GROUP	EMES (SUZHOU) CO., LTD. (EMES)	Selling and consulting of information system software	100.00	100.00	
ASKEY GROUP	ASKEY INTERNATIONAL CORP. (ASKEYI)	Selling and servicing of communication products	100.00	100.00	
ASKEY GROUP	DYNALINK INTERNATIONAL CORP. (DIC)	Investing in communication business	100.00	100.00	
ASKEY GROUP	MAGIC INTERNATIONAL CO., LTD. (MIC)	Investing in computer peripherals business	100.00	100.00	

Investor	Subsidiary	Main business activities	Ownership (%) 2017/12/31	Ownership (%) 2016/12/31	Remark
ASKEY GROUP	ASKEY (VIETNAM) COMPANY LIMITED (ASKEYVN)	Manufacturing and selling of communication products	100.00	100.00	
ASKEY GROUP	MAGICOM INTERNATIONAL CORP. (MAGICOM)	Investing in communication business	100.00	100.00	
ASKEY GROUP	ASKEY TECHNOLOGY (SHANGHAI) LTD. (ASKEYSH)	Developing and selling of communication products	100.00	100.00	
ASKEY GROUP	OPENBASE LIMITED (OB)	Selling of communication products and computer peripherals	100.00	100.00	
ASKEY GROUP	LEADING PROFIT CO., LTD. (LP)	Selling of communication products and computer peripherals	100.00	100.00	
ASKEY GROUP	UNI LEADER INTERNATIONAL LTD. (UNI)	Selling of communication products and computer peripherals	100.00	100.00	
ASKEY GROUP	ASKEY TECHNOLOGY (JIANGSU) LTD. (ASKEYJS)	Manufacturing and selling of communication products	100.00	100.00	
ASKEY GROUP	WISE ACCESS (HK) LIMITED (WISE)	Investing in communication and computer peripherals business	100.00	100.00	
ASKEY GROUP	SILIGENCE SAS (SILIGENCE)	Selling and servicing of communication products	95.95	80.00	
ASKEY GROUP	ASKEY MAGICXPRESS (WUJIANG) CORP. (ASKEYMWJ)	Manufacturing and selling of communication products	100.00	100.00	
ASKEY GROUP	ASKEY COMMUNICATION GMBH (ASKEYCG)	Selling and servicing of communication products	100.00	100.00	
ASKEY GROUP	ASKEY DO BRASIL TECNOLOGIA LTDA. (ASKEYBR)	Servicing of communication products	100.00	100.00	
ASKEY GROUP	ASKEY CORPORATION (THAILAND) CO., LTD. (ASKEYTH)	Intelligent energy-savings service	100.00	-	
IUT GROUP	INTERNATIONAL UNITED TECHNOLOGY CO., LTD. (IUTS)	Investing in ink-jet print heads and ink-jet digital image output technology business	100.00	100.00	
AGA GROUP	AGAITECH HOLDING LTD. (AGAHL)	Investing in computer peripherals business	-	100.00	
AGA GROUP	AGAIT TECHNOLOGY (H.K.) CORPORATION LIMITED (AGAHK)	Investing in computer peripherals business	100.00	100.00	
AGA GROUP	AGAIT TECHNOLOGY (SHENZHEN) LIMITED (AGASZ)	Selling smart vacuums	-	100.00	

Investor	Subsidiary	Main business activities	Ownership (%) 2017/12/31	Ownership (%) 2016/12/31	Remark
AAEON GROUP	AAEON ELECTRONICS, INC. (AAEONEI)	Selling of industrial computers and computer peripherals	100.00	100.00	
AAEON GROUP	AAEON DEVELOPMENT INCORPORATED (AAEONDI)	Investing in industrial computers and computer peripherals business	100.00	100.00	
AAEON GROUP	AAEON TECHNOLOGY CO., LTD. (AAEONTCL)	Investing in industrial computers and interface cards business	100.00	100.00	
AAEON GROUP	AAEON TECHNOLOGY (EUROPE) B. V. (AAEONEU)	Selling of industrial computers and computer peripherals	100.00	100.00	
AAEON GROUP	AAEON TECHNOLOGY GMBH (AAEONG)	Selling of industrial computers and computer peripherals	100.00	100.00	
AAEON GROUP	AAEON INVESTMENT CO., LTD. (AAEONI)	Investing in industrial computers and computer peripherals business	100.00	100.00	
AAEON GROUP	AAEON TECHNOLOGY SINGAPORE PTE. LTD. (AAEONSG)	Selling of industrial computers and computer peripherals	100.00	94.20	
AAEON GROUP	AAEON TECHNOLOGY (SUZHOU) INC. (AAEONSZ)	Manufacturing and selling of industrial computers and interface cards	100.00	100.00	
ONYX GROUP	ONYX HEALTHCARE USA, INC. (ONYXHU)	Selling of medical computers and peripherals	100.00	100.00	
ONYX GROUP	ONYX HEALTHCARE EUROPE B. V. (ONYXHE)	Marketing support and repairing of medical computers and peripherals	100.00	100.00	
ONYX GROUP	ONYX HEALTHCARE (SHANGHAI) LTD. (ONYXSH)	Selling of medical computers and peripherals	100.00	100.00	
UPI GROUP	UBIQ SEMICONDUCTOR CORP. (UBIQ)	Designing, developing and selling of integrated circuits	100.00	100.00	
UPI GROUP	UPI-SEMICONDUCTOR CORPORATION (HK) LIMITED (UPIHK)	Investing in integrated circuits technical support consulting service business	100.00	100.00	
UPI GROUP	UPI-SEMICONDUCTOR CORPORATION (SHENZHEN) LIMITED (UPISZ)	Marketing support and technical service of integrated circuits	100.00	100.00	
UPI GROUP	JPD LABO CO., LTD. (JPDJP)	Designing and developing of integrated circuits	100.00	100.00	Note 2
ASUSCLOUD GROUP	ASUS CLOUD SINGAPORE PTE. LTD. (ASUSCLOUDSG)	Investing in internet service business	100.00	100.00	
ASUSCLOUD GROUP	ASUS CLOUD (TIANJIN) INFORMATION TECHNOLOGY CO., LTD. (ASUSCLOUDTJ)	Selling internet service	-	100.00	

Investor	Subsidiary	Main business activities	Ownership (%) 2017/12/31	Ownership (%) 2016/12/31	Remark
ASUSCLOUD GROUP	ASUS LIFE CORPORATION (ASUSLC)	Selling of internet information service	50.00	50.00	
ASUSCLOUD GROUP	ASUS CLOUD (LUXEMBOURG) S. A R. L (ASUSCLOUDLB)	Providing maintenance and operating service for information hardware	100.00	100.00	
AIL GROUP	DEEP DELIGHT LIMITED (DDL)	Investing in computer peripherals business	100.00	100.00	
AIL GROUP	CHANNEL PILOT LIMITED (CHANNEL)	Investing in 3C business	100.00	100.00	
AIL GROUP	UNIMAX HOLDINGS LIMITED (UHL)	Investing in automotive electronics and computer peripherals business	100.00	100.00	
AIL GROUP	ASUS TECHNOLOGY PTE. LIMITED (ASTP)	Investing in 3C business	100.00	100.00	
AIL GROUP	ASUS MIDDLE EAST FZCO (ACAE)	Marketing support and repairing of 3C productsin Middle East	100.00	100.00	
AIL GROUP	ASUS EGYPT L. L. C. (ACEG)	Marketing support of 3C products in Egypt	100.00	100.00	
AIL GROUP	ASUS COMPUTER GMBH (ACG)	Selling and marketing support of 3C products in Germany	100.00	100.00	
AIL GROUP	ASUS FRANCE SARL (ACF)	Marketing support of 3C products in France	100.00	100.00	
AIL GROUP	ASUSTEK (UK) LIMITED (ACUK)	Marketing support of 3C products in United Kingdom	100.00	100.00	
AIL GROUP	ASUS TECHNOLOGY (HONG KONG) LIMITED (ACHK)	Marketing support and repairing of 3C products in Hong Kong	100.00	100.00	
AIL GROUP	ASUS KOREA CO., LTD. (ACKR)	Marketing support and repairing of 3C products in South Korea	100.00	100.00	
AIL GROUP	ASUSTEK COMPUTER (S) PTE. LTD. (ACSG)	Repairing of 3C products in Singapore	100.00	100.00	
AIL GROUP	ASUS POLSKA SP. Z O. O. (ACPL)	Marketing support of 3C products in Poland	100.00	100.00	
AIL GROUP	ASUS TECHNOLOGY PRIVATE LIMITED (ACIN)	Marketing support and repairing of 3C products in India	100.00	100.00	
AIL GROUP	ASUS EUROPE B.V. (ACNL)	Selling of 3C products	100.00	100.00	Note 1
AIL GROUP	ASUS TECHNOLOGY (VIETNAM) CO., LTD. (ACVN)	Repairing of 3C products in Vietnam	100.00	100.00	
AIL GROUP	ASUSTEK ITALY S. R. L. (ACIT)	Marketing support of 3C products in Italy	100.00	100.00	
AIL GROUP	ASUS IBERICA S. L. (ACIB)	Marketing support of 3C products in Spain	100.00	100.00	

Investor	Subsidiary	Main business activities	Ownership (%) 2017/12/31	Ownership (%) 2016/12/31	Remark
AIL GROUP	ASUS TECHNOLOGY (SUZHOU) CO., LTD. (ACSZ)	Researching and developing of 3C products	100.00	100.00	
AIL GROUP	ASUS JAPAN INCORPORATION (ACJP)	Selling of 3C products in Japan	100.00	100.00	
AIL GROUP	ASUS COMPUTER CZECH REPUBLIC S. R. O. (ACCZ)	Marketing support of 3C products in Czech Republic	100.00	100.00	
AIL GROUP	ASUSTEK COMPUTER (SHANGHAI) CO., LTD. (ACSH)	Selling of 3C products in China	100.00	100.00	
AIL GROUP	ASUS SERVICE AUSTRALIA PTY LIMITED (ASAU)	Repairing of 3C products in Australia	100.00	100.00	
AIL GROUP	ASUS AUSTRALIA PTY LIMITED (ACAU)	Marketing support of 3C products in Australia	100.00	100.00	
AIL GROUP	ACBZ IMPORTACAO E COMERCIO LTDA. (ACBZ)	Selling of 3C products in Brazil	100.00	100.00	
AIL GROUP	ASUS INDIA PRIVATE LIMITED (ASIN)	Selling of 3C products in India	100.00	100.00	
AIL GROUP	ASUS ISRAEL (TECHNOLOGY) LTD. (ACIL)	Marketing support of 3C products in Israel	100.00	100.00	
AIL GROUP	ASUSTEK COMPUTER (CHONGQING) CO., LTD. (ACCQ)	Selling of 3C products in China	100.00	100.00	
AIL GROUP	ASUS PERU S. A. C. (ACPE)	Marketing support of 3C products in Peru	100.00	100.00	
AIL GROUP	PT. ASUS SERVICE INDONESIA (ASID)	Repairing of 3C products in Asia-pacific and America	100.00	100.00	
AIL GROUP	ASUS HOLDINGS MEXICO, S. A. DE C. V. (ACMH)	Selling of 3C products in Mexico	100.00	100.00	
AIL GROUP	ASUS MEXICO, S. A. DE C. V. (ACMX)	Marketing support of 3C products in Mexico	100.00	100.00	
AIL GROUP	ASUS PORTUGAL, SOCIEDADE UNIPESSOAL LDA. (ACPT)	Marketing support of 3C products in Portugal	100.00	100.00	
AIL GROUP	ASUS HUNGARY SERVICES LIMITED LIABILITY COMPANY (ACHU)	Marketing support and repairing of 3C products in Hungary	100.00	100.00	
AIL GROUP	ASUS SWITZERLAND GMBH (ACCH)	Marketing support of 3C products in Switzerland	100.00	100.00	
AIL GROUP	ASUS NORDIC AB (ACN)	Marketing support of 3C products in North Europe	100.00	100.00	
AIL GROUP	ASUS COMPUTER COLOMBIA S. A. S. (ACCO)	Marketing support of 3C products in Colombia	100.00	100.00	

Investor	Subsidiary	Main business activities	Ownership (%) 2017/12/31	2016/12/31	Remark
AIL GROUP	ASUS MARKETING (THAILAND) CO., LTD. (ACTH)	Marketing support of 3C products in Thailand	100.00	100.00	
AIL GROUP	ASUSTEK COMPUTERS (PTY) LIMITED (ACZA)	3C products marketing support and repair in Africa	100.00	-	
AIL GROUP	ASUSTEK COMPUTER MALAYSIA SDN. BHD. (ACMY)	3C products marketing support and repair in Malaysia	100.00	-	
AIL GROUP	UNIMAX ELECTRONICS INCORPORATION (UEI)	Manufacturing and selling of automotive electronics and computer peripherals	100.00	100.00	
AIL GROUP	ASUS COMPUTER (SHANGHAI) CO., LTD. (ACS)	Repairing support of 3C products	100.00	100.00	
AIL GROUP	ASUS INVESTMENTS (SUZHOU) CO., LTD. (ACISZ)	Leasing real estate	100.00	100.00	
AIL GROUP and ACH	ASUS CZECH SERVICE S. R. O. (ACCZS)	Repairing of 3C products in Europe	100.00	100.00	

Note 1: The name of ASUS TECHNOLOGY HOLLAND B. V. was changed to ASUS EUROPE B.V. since May 1, 2016.

Note 2: The name of UPI SOLUTIONS CO., LTD. was changed to JPD LABO CO., LTD. since June 1, 2017.

Note 3: HCVC has disposed all the ownership of shares at the third quarter of 2017.

Note 4: Percentage of ownership represents controlling ratio not consolidated shareholding percentage.

C. Subsidiaries not included in the consolidated financial statements: None.

D. Adjustments for subsidiaries with different end of the financial reporting period: None.

E. Significant restrictions on its ability to transfer the assets and liabilities to other entities within the Group: None.

F. Subsidiaries that have non-controlling interests that are material to the Group:
Non-controlling interests in each subsidiary is immaterial to the Group.

(4) Foreign currency translation

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in "New Taiwan Dollars (NTD)", which is the Company's functional and the Group's presentation currency.

A. Foreign currency transactions and balances

(A) Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions are recognized in profit or loss in the period in which they arise, except when deferred in other comprehensive income as qualifying cash flow hedges.

(B) Monetary assets and liabilities denominated in foreign currencies are re-translated at the exchange rates prevailing at the end of the financial reporting period. Exchange differences arising upon re-translation are recognized in profit or loss.

(C) Non-monetary assets and liabilities denominated in foreign currencies at fair value through profit or loss are re-translated at the exchange rates prevailing at the end of the financial reporting period. The translation differences are recognized in profit or loss as part of the fair value gain or loss. Non-monetary assets and liabilities at fair value through other comprehensive income are re-translated at the exchange rates prevailing at the end of the financial reporting period. The translation differences are recognized in other comprehensive income. However, non-monetary assets and liabilities denominated in foreign currencies that are not measured at fair value are translated using the historical exchange rates at the dates of the initial transactions.

(D) All other foreign exchange gains and losses based on the nature of those transactions are presented in the statement of comprehensive income within “other gains (losses)”.

B. Translation of foreign operations

(A) The operating results and financial position of all the group entities and associates that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

a. Assets and liabilities for each balance sheets presented are translated at the closing exchange rate at the end of the financial reporting period;

b. Income and expenses for each statement of comprehensive income are translated at average exchange rates of that period; and

c. All resulting exchange differences are recognized in other comprehensive income.

(B) When the foreign operation partially disposed of or sold is an associate, exchange differences that were recorded in other comprehensive income are proportionately reclassified to profit or loss as part of the gain or loss on sale. In addition, if the Group still retains partial interests in the former foreign associate after losing significant influence over the former foreign associate, such transactions should be accounted for as disposal of all interest in these foreign operations.

(C) When the foreign operation partially disposed of or sold is a subsidiary, cumulative exchange differences that were recorded in other comprehensive income are proportionately transferred to the non-controlling interests in this foreign operation. In addition, if the Group still retains partial interests in the former foreign subsidiary after losing control of the former foreign subsidiary, such transactions should be accounted for as disposal of all interest in these foreign operations.

(5) Classification of current and non-current items

A. Assets that meet one of the following criteria are classified as current assets:

(A) Assets arising from operating activities that are expected to be realized, or are intended to be sold or consumed within the normal operating cycle;

(B) Assets held mainly for trading purposes;

(C) Assets that are expected to be realized within 12 months from the end of the financial reporting period;

(D) Cash and cash equivalents, excluding restricted cash and cash equivalents and those that are to be exchanged or used to pay off liabilities more than 12 months after the end of the financial reporting period.

Otherwise they are classified as non-current assets.

B. Liabilities that meet one of the following criteria are classified as current liabilities:

(A) Liabilities that are expected to be paid off within the normal operating cycle;

(B) Liabilities arising mainly from trading activities;

(C) Liabilities that are to be paid off within 12 months from the end of the financial reporting period;

(D) Liabilities for which the repayment date cannot be extended unconditionally to more than 12 months after the end of the financial reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

Otherwise they are classified as non-current liabilities.

(6) Cash equivalents

Cash equivalents refer to short-term highly liquid investments that are readily convertible to known amount of cash and subject to an insignificant risk of changes in value. Time deposits can be classified as cash equivalents if they meet the criteria mentioned above and are held for short-term cash commitments in operational purpose.

(7) Financial assets at fair value through profit or loss

A. Financial assets at fair value through profit or loss are financial assets held for trading. Financial assets are classified in this category of held for trading if held principally for the purpose of selling in the short-term. Derivatives are also categorized as financial assets held for trading unless they are designated as hedges.

B. On a regular way purchase or sale basis, financial assets at fair value through profit or loss are recognized and derecognized using trade date accounting.

C. Financial assets at fair value through profit or loss are initially recognized at fair value. Related transaction costs are expensed in profit or loss. These financial assets are subsequently remeasured and stated at fair value, and any changes in the fair value of these financial assets are recognized in profit or loss.

(8) Available-for-sale financial assets

A. Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories.

B. On a regular way purchase or sale basis, available-for-sale financial assets are recognized and derecognized using trade date accounting.

C. Available-for-sale financial assets are initially recognized at fair value plus transaction costs. These financial assets are subsequently remeasured and stated at fair value, and any changes in the fair value of these financial assets are recognized in other comprehensive income. Investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured or derivatives that are linked to and must be settled by delivery of such unquoted equity instruments are presented in “financial assets measured at cost”.

(9) Loans and receivables

Loans and receivables are created originally by the entity by selling goods or providing services to customers in the ordinary course of business. They are initially recognized at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. Due to the insignificant discount effect on the non-interest bearing short-term receivables, they are measured at the original invoice amount.

(10) Impairment of financial assets

A. The Group assesses at the end of the financial reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired as a result of one or more events that occurred after the initial recognition of the asset (a “loss event”) and that loss event has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

B. The criteria that the Group uses to determine whether there is objective evidence of an impairment loss is as follows:

(A) Significant financial difficulty of the issuer or debtor;

(B) A breach of contract, such as a default or delinquency in interest or principal payments;

(C) The Group granted the borrower a concession that a lender would not otherwise consider for economic or legal reasons relating to the borrower’s financial difficulty;

(D) It becomes probable that the borrower will enter bankruptcy or other financial reorganization;

(E) The disappearance of an active market for that financial asset because of financial difficulties;

(F) Observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial asset in the group, including adverse changes in the payment status of borrowers in the group or national or local unfavorable economic conditions that correlate with defaults on the assets in the group;

(G) Information about significant changes with an adverse effect that have taken place in the technology, market, economic or legal environment in which the issuer operates, and indicates that the cost of the investment in the equity instrument may not be recovered; or

(H) A significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

C. When the Group assesses that there has been objective evidence of impairment and an impairment loss has occurred, accounting for impairment is made as follows according to the category of financial assets:

(A) Financial assets measured at amortised cost

The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate, and is recognized in profit or loss. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset does not exceed its amortised cost that would have been at the date of reversal had the impairment loss not been recognized previously. Impairment loss is recognized and reversed by adjusting the carrying amount of the asset through the use of an impairment allowance account.

(B) Financial assets measured at cost

The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at current market return rate of similar financial asset, and is recognized in profit or loss. Impairment loss recognized for this category shall not be reversed subsequently. Impairment loss is recognized by adjusting the carrying amount of the asset through the use of an impairment allowance account.

(C) Available-for-sale financial assets

The amount of the impairment loss is measured as the difference between the asset's acquisition cost (less any principal repayment and amortisation) and current fair value, less any impairment loss on that financial asset previously recognized in profit or loss, and is reclassified from "other comprehensive income" to "profit or loss". If, in a subsequent period, the fair value of an investment in a debt instrument increases, and the increase can be related objectively to an event occurring after the impairment loss was recognized, then such impairment loss can be reversed through profit or loss. Impairment loss of an investment in an equity instrument recognized in profit or loss shall not be reversed in profit or loss. Impairment loss is recognized and reversed by adjusting the carrying amount of the asset through the use of an impairment allowance account.

(11) Derecognition of financial assets

The Group derecognizes a financial asset when one of the following conditions is met:

A. The contractual rights to receive cash flows from the financial asset expire.

B. The contractual rights to receive cash flows from the financial asset have been transferred and the Group has transferred substantially almost all risks and rewards of ownership of the financial asset.

C. The contractual rights to receive cash flows from the financial asset have been transferred and the Group has not retained control of financial asset.

(12) Operating leases (lessor)

An operating lease is a lease that all the risks and rewards incidental to ownership of the leased assets are not transferred to the lessees. Lease income from an operating lease (net of any incentives given to the lessee) is recognized in profit or loss on a straight-line basis over the lease term.

(13) Inventories

Inventories are stated at the lower of cost and net realizable value. Cost is determined using the weighted-average method. The cost of finished goods and work in process comprises raw materials and other direct/indirect costs. It excludes borrowing costs. The item by item approach is used in applying the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated cost of completion and applicable variable selling expenses.

(14) Investments accounted for under equity method

A. Associates are all entities over which the Group has significant influence but not control. In general, it is presumed that the investor has significant influence, if an investor holds, directly or indirectly 20% or more of the voting power of the investee. Investments in associates are accounted for using the equity method and are initially recognized at cost.

B. The Group’s share of its associates’ post-acquisition profits or losses is recognized in profit or loss, and its share of post-acquisition movements in other comprehensive income is recognized in other comprehensive income. When the Group’s share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognize further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

C. When changes in an associate’s equity do not arise from profit or loss or other comprehensive income of the associate and such changes do not affect the Group’s ownership percentage of the associate, the Group recognizes change in ownership interests in the associate in “capital surplus” in proportion to its ownership.

D. Unrealized gains on transactions between the Group and its associates are eliminated to the extent of the Group’s interest in the associates. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been adjusted where necessary to ensure consistency with the policies adopted by the Group.

E. In the case that an associate issues new shares or buys treasury stocks (including the Group does not acquire or dispose shares proportionately), which results in a change in the Group's ownership percentage of the associate but maintains significant influence on the associate, then "capital surplus" and "investments accounted for under equity method" shall be adjusted for the increase or decrease of its share of equity interest. If the above condition causes a decrease in the Group's ownership percentage of the associate, in addition to the above adjustment, the amounts previously recognized in other comprehensive income in relation to the associate are reclassified to profit or loss proportionately on the same basis as would be required if the relevant assets or liabilities were disposed of.

F. Upon loss of significant influence over an associate, the Group remeasures any investment retained in the former associate at its fair value. Any difference between fair value and carrying amount is recognized in profit or loss.

G. Upon loss of significant influence over an associate, the amounts previously recognized in other comprehensive income and as capital surplus in relation to the associate, are reclassified to profit or loss, on the same basis as would be required if the relevant assets or liabilities were disposed of. If it still retains significant influence over this associate, then the amounts previously recognized in other comprehensive income and as capital surplus in relation to the associate are reclassified to profit or loss proportionately.

(15) Property, plant and equipment

A. Property, plant and equipment are initially recorded at cost. Borrowing costs incurred during the construction period are capitalized.

B. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

C. Except for land which is not depreciated, other property, plant and equipment apply cost model and are depreciated using the straight-line method to allocate their cost over their estimated useful lives. If each component of property, plant and equipment is significant, it should be depreciated separately.

D. The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at the end of the financial reporting period. If expectations for the assets' residual values and useful lives differ from previous estimates or the patterns of consumption of the assets' future economic benefits embodied in the assets have changed significantly, any change is accounted for as a change in estimate under IAS 8, "Accounting Policies, Changes in

Accounting Estimates and Errors", from the date of the change. The estimated useful lives of buildings are 10~60 years, machinery and equipment are 1~10 years and miscellaneous equipment are 1~20 years.

(16) Operating leases (lessee)

An operating lease is a lease that the lessor assumes substantially all the risks and rewards incidental to ownership of the leased asset. Payments made under an operating lease (net of any incentives received from the lessor) are recognized in profit or loss on a straight-line basis over the lease term.

(17) Investment property

An investment property is stated initially at its cost and measured subsequently using the cost model. Except for land, investment property is depreciated on a straight-line basis over its estimated useful life of 50 years.

(18) Intangible assets

A. Goodwill and trademark arise in a business combination accounted for by applying the acquisition method.

B. Other intangible assets, mainly computer software, are amortised on a straight-line basis over their estimated useful lives of 1~6 years.

(19) Impairment of non-financial assets

A. The Group assesses at the end of the financial reporting period the recoverable amounts of those assets where there is an indication that they are impaired. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell or value in use. Except for goodwill, when the circumstances or reasons for recognizing impairment loss for an asset in prior years no longer exist or decrease, the impairment loss shall be reversed to the extent of the loss previously recognized in profit or loss. However, the reversal should not exceed the carrying amount, net of depreciation or amortisation had the impairment not been recognized.

B. The recoverable amounts of goodwill and intangible assets with an indefinite useful life shall be evaluated periodically. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. Impairment loss of goodwill previously recognized in profit or loss shall not be reversed in the following years.

(20) Borrowings

Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost, any difference between the proceeds net of transaction costs, and the redemption value is recognized in profit or loss over the period of the borrowings using the effective interest method.

(21) Notes and trade payables

Notes and trade payables are obligations to pay for goods or services that have been acquired from supplies in the ordinary course of business. They are recognized initially at fair value and subsequently measured at amortised cost using the effective interest method. Due to the insignificant discount effect on the non-interest bearing short-term payables, they are measured at the original invoice amount.

(22) Financial liabilities at fair value through profit or loss

A. Financial liabilities at fair value through profit or loss are financial liabilities held for trading. Financial liabilities are classified in this category of held for trading if held principally for the purpose of repurchasing in the short-term. Derivatives are also categorized as financial liabilities held for trading unless they are designated as hedges.

B. Financial liabilities at fair value through profit or loss are initially recognized at fair value. Related transaction costs are expensed in profit or loss. These financial liabilities are subsequently remeasured and stated at fair value, and any changes in the fair value of these financial liabilities are recognized in profit or loss.

(23) Derecognition of financial liabilities

A financial liability is derecognized when the obligation under the liability specified in the contract is discharged, cancelled or expires.

(24) Offsetting financial assets and financial liabilities

Financial assets and liabilities are offset and reported in the net amount in the balance sheets when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously.

(25) Derivative financial instruments and hedging activities

A. Derivatives are initially recognized at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value. Any changes in the fair value are recognized in profit or loss.

B. The Group designates certain derivatives as:
Hedges of the variability in cash flow associated with a recognized asset or liability or a highly probable forecast transaction (cash flow hedge).

C. The Group documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedging transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

D. The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining maturity of the hedged item is more than 12 months, and as a current asset or liability when the remaining maturity of the hedged item is less than 12 months. Trading derivatives are classified as current assets or liabilities.

E. Cash flow hedge

(A) The effective portion of changes in the fair value of derivatives that are designated and qualified as cash flow hedges is recognized in other comprehensive income. The gain or loss relating to the ineffective portion is recognized immediately in the statement of comprehensive income within “other gains (losses)”.

(B) When the forecast transaction that is hedged results in the recognition of a non-financial asset or financial liability, the gains and losses previously deferred in other comprehensive income are reclassified into profit or loss in the periods when the asset acquired or the liability assumed affects profit or loss. The deferred amounts are ultimately recognized in sales revenue.

(C) When a hedging instrument expires or is sold, terminated, exercised, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in other comprehensive income at that time remains in other comprehensive income. When a forecast transaction occurs or is no longer expected to occur, the cumulative gain or loss that was recognized in other comprehensive income is transferred to profit or loss in the periods when the hedged forecast cash flow affects profit or loss.

(26) Provisions for liabilities

Provisions are recognized when the Group has a present legal or constructive obligation as a result of past events, and it is probable that an outflow of economic resources will be required to settle the obligation and the amount of the obligation can be reliably estimated. Provisions are measured at the present value of the expenditures expected to be required to settle the obligation at the end of the financial reporting period**,** which is discounted using a pre-tax discount rate that reflects the current market assessments of the time value of money and the risks specific to the obligation. When discounting is used, the increase in the provision due to passage of time is recognized as interest expense. Provisions are not recognized for future operating losses.

(27) Employee benefits

A. Short-term employee benefits

Short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in respect of service rendered by employees in a period and should be recognized as expenses in that period when the employees render service.

B. Pensions

(A) Defined contribution plans

For defined contribution plans, the contributions are recognized as pension expenses when they are due on an accrual basis. Prepaid contributions are recognized as an asset to the extent of a cash refund or a reduction in the future payments.

(B) Defined benefit plans

a. The liability recognized in the balance sheets in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the financial reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash follow using interest rates of government bonds or interest rates of return of high-quality investments that have terms to maturity approximating to the terms of the related pension liability.

b. Remeasurements arising on defined benefit plans are recognized in other comprehensive income in the period in which they arise and are recorded as other equity.

c. Prior service costs are recognized immediately in profit or loss.

(C) Termination benefits

Termination benefits are employee benefits provided in exchange for the termination of employment as a result from either the Group's decision to terminate an employee's employment before the normal retirement date, or an employee's decision to accept an offer of redundancy benefits in exchange for the termination of employment. The Group recognizes expense when it can no longer withdraw an offer of termination benefits or it recognizes related restructuring costs, whichever is earlier. Benefits that are expected to be due more than 12 months after financial reporting date shall be discounted to their present value.

(D) Employees' compensation and directors' remuneration

Employees' compensation and directors' remuneration are recognized as expenses and liabilities, provided that such recognition is required under legal or constructive obligation and those amounts can be reliably estimated. Any difference between the resolved amounts and the subsequently actual distributed amounts is accounted for as changes in estimates. If employee compensation is distributed by shares, the Group calculates the number of shares based on the closing price at the previous day of the board meeting resolution.

(28) Employee share-based payment

A. For the equity-settled share-based payment arrangements, the employee services received are measured at the fair value of the equity instruments granted at the grant date, and are recognized as compensation cost over the vesting period, with a corresponding adjustment to equity. The fair value of the equity instruments granted shall reflect the impact of market vesting conditions and non-market vesting conditions. Compensation cost is subject to adjustment based on the service conditions that are expected to be satisfied and the estimates of the number of equity instruments that are expected to vest under the non-market vesting conditions at the end of the financial reporting period. Ultimately, the amount of compensation cost recognized is based on the number of equity instruments that eventually vest.

B. Restricted stocks:

(A) The issued subsidiary uses the date notifying employees the number of shares of employees' stock bonus as the grant date.

(B) Restricted stocks issued to employees are measured at the fair value of the equity instruments granted at the grant date, and are recognized as compensation cost over the vesting period.

(C) For restricted stocks where those stocks do not restrict distribution of dividends to employees and employees are not required to return the dividends received if they resign during the vesting period, the Group recognizes the fair value of the dividends received by the employees who are expected to resign during the vesting period as compensation cost at the date of dividends declared.

(D) For restricted stocks where employees have to pay to acquire those stocks, if employees resign during the vesting period, they must return the stocks to the issued subsidiaries and the issued subsidiaries must refund their payments on the stocks, the issued subsidiary recognizes the payments from the employees who are expected to resign during the vesting period as liabilities at the grant date, and recognizes the payments from the employees who are expected to be eventually vested with the stocks in "capital surplus – others".

(29) Income tax

A. The tax expense for the period comprises current and deferred tax. Tax is recognized in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or items recognized directly in equity, in which cases the tax is recognized in other comprehensive income or equity.

B. The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the financial reporting period in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in accordance with applicable tax regulations. It establishes provisions where appropriate based on the amounts expected to be paid to the tax authorities. An additional 10% tax is levied on the unappropriated retained earnings and is recorded as income tax expense in the year the shareholders resolve to retain the earnings.

C. Deferred income tax is recognized, using the balance sheets liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of goodwill or of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the financial reporting period and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

D. Deferred income tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized. At the end of the financial reporting period, unrecognized and recognized deferred income tax assets are reassessed.

E. Current income tax assets and liabilities are offset and the net amount is reported in the balance sheets when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously. Deferred income tax assets and liabilities are offset on the balance sheets when the entity has the legally enforceable right to offset current tax assets against current tax liabilities and they are levied by the same taxation authority on either the same entity or different entities that intend to settle on a net basis or realize the asset and settle the liability simultaneously.

F. A deferred tax asset shall be recognized for the carryforward of unused tax credits resulting from research and development expenditures to the extent that it is possible that future taxable profit will be available against which the unused tax credits can be utilized.

(30) Dividends

Dividends are recorded in the Company’s financial statements in the period in which they are resolved by the Company’s shareholders. Cash dividends are recorded as liabilities; stock dividends are recorded as stock dividends to be distributed and are reclassified to ordinary shares on the effective date of new shares issuance.

(31) Revenue recognition

Sales of goods

A. The Group is primarily engaged in the selling of 3C products. Revenue is measured at the fair value of the consideration received or receivable taking into account value-added tax, returns, rebates and discounts for the sale of goods to external customers in the ordinary course of the Group’s activities. Revenue arising from the sales of goods is recognized when the Group has delivered the goods to the customer, the amount of sales revenue can be measured reliably and it is probable that the future economic benefits associated with the transaction will flow to the entity. The delivery of goods is completed when the significant risks and rewards of ownership have been transferred to the customer, the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold, and the customer has accepted the goods based on the sales contract or there is objective evidence showing that all acceptance provisions have been satisfied.

B. The Group offers customers volume discounts and right of return for defective products. The Group estimates such discounts and returns based on historical experience. Provisions for such liabilities are recorded when the sales are recognized. The volume discounts are estimated based on the anticipated annual sales quantities.

(32) Business combinations

A. The Group uses the acquisition method to account for business combinations. The consideration transferred for an acquisition is measured as the fair value of the assets transferred, liabilities incurred or assumed and equity instruments issued at the acquisition date, plus the fair value of any assets and liabilities resulting from a contingent consideration arrangement. All acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. For each business combination, the Group measures at the acquisition date components of non-controlling interests in the acquiree that are present ownership interests and entitle their holders to the proportionate share of the entity's net assets in the event of liquidation at either fair value or the present ownership instruments' proportionate share in the recognized amounts of the acquiree's identifiable net assets. All other non-controlling interests should be measured at the acquisition-date fair value.

B. If the total of the fair values of the consideration of acquisition and any non-controlling interests in the acquiree as well as the acquisition-date fair value of any previous equity interest in the acquiree is higher than the fair value of the Group's share of the identifiable net assets acquired and liabilities assumed, the difference is recorded as goodwill, if the total of the fair values of the consideration of acquisition and any non-controlling interests in the acquiree as well as the acquisition-date fair value of any previous equity interest in the acquiree is higher than the fair value of the Group's share of the identifiable net assets acquired and liabilities assumed, the difference is recorded as profit.

(33) Operating segments

Operating segments are reported in a manner consistent with the internal management reports provided to the chief operating decision-maker. The chief operating decision-maker is responsible for allocating resources and assessing performance of the operating segments.

5. CRITICAL ACCOUNTING JUDGEMENTS, ESTIMATES AND KEY SOURCES OF ASSUMPTION UNCERTAINTY

The preparation of these consolidated financial statements requires management to make critical judgements in applying the Group's accounting policies and make critical assumptions at the end of the financial reporting period and estimates concerning future events. The resulting accounting estimates and assumptions might be different from the actual results, and will be continually evaluated and adjusted based on historical experience and other factors; and the related information is addressed below:

Critical accounting estimates and assumptions:

A. Estimation of sales returns and discounts

The Group estimates discounts and returns based on historical results and other known factors. Provisions for such liabilities are recorded as a deduction item to sales revenues when the sales are recognized. The Group reassesses the reasonableness of estimates of discounts and returns periodically.

As of December 31, 2017, provisions for discounts and sales returns amounted to $20,350,947.

B. Evaluation of inventories

Due to the rapid technology innovation, the Group evaluates the amounts of normal inventory consumption, obsolete inventories or inventories without market selling value at the end of the financial reporting period, and writes down the cost of inventories to the net realizable value. Such an evaluation of inventories is principally based on the demand for the products within the specified period in the future. Therefore, there might be material changes to the evaluation.

As of December 31, 2017, the carrying amount of inventories was $83,055,957.

6. **DETAILS OF SIGNIFICANT ACCOUNTS**

(1) Cash and cash equivalents

	2017/12/31	2016/12/31
Cash on hand and petty cash	$ 7,252	$ 8,027
Checking accounts and demand deposits	33,103,905	28,186,635
Time deposits	37,419,354	59,495,580
Others	1,662,451	2,427
	$ 72,192,962	$ 87,692,669

The Group has no cash and cash equivalents pledged to others.

(2) Financial assets and liabilities at fair value through profit or loss

	2017/12/31	2016/12/31
Current items:		
Financial assets held for trading		
Open-end funds	$ 7,547,488	$ 5,089,953
Listed and OTC stocks	489,050	223,024
Non-hedging derivatives	20,524	857,672
	$ 8,057,062	$ 6,170,649
Current items:		
Financial liabilities held for trading		
Non-hedging derivatives	$ 429,979	$ 148,975

A. The Group recognized net gain (loss) on derivative financial instruments held for trading amounting to ($2,647,636) and $1,512,488 and net gain on non-derivative financial instruments held for trading amounting to $312,045 and $34,171 for the years ended December 31, 2017 and 2016, respectively.

B. The unexpired contracts are as follows:

Items	2017/12/31 Contract amount (Nominal principal) (in thousands)		2017/12/31 Contract period	2016/12/31 Contract amount (Nominal principal) (in thousands)		2016/12/31 Contract period
Derivative financial assets:						
Forward exchange contracts						
-EUR/USD	EUR	40,000	2017/09-2018/01	EUR	428,000	2016/06-2017/09
-NOK/USD	NOK	124,202	2017/10-2018/03	NOK	124,283	2016/10-2017/03
-RUB/USD	RUB	-	-	RUB	1,223,471	2016/12-2017/02
-JPY/USD	JPY	-	-	JPY	100,000	2016/06-2017/01
-GBP/USD	GBP	-	-	GBP	21,395	2016/11-2017/04
-SEK/USD	SEK	-	-	SEK	50,857	2016/12-2017/01
-CNH/USD	CNH	-	-	CNH	1,187,695	2016/12-2017/01
-CAD/USD	CAD	-	-	CAD	187,080	2016/08-2017/08
-NTD/USD	USD	-	-	USD	155,000	2016/11-2017/02
-CHF/USD	CHF	-	-	CHF	711	2016/12-2017/01
-USD/NTD	USD	600	2017/12-2018/01	USD	-	-
Currency option contracts						
-IDR/USD	IDR	-	-	IDR	1,185,080,000	2016/12-2017/03
-GBP/USD	GBP	-	-	GBP	36,000	2016/12-2017/03
-CNH/USD	CNH	-	-	CNH	5,474,254	2016/08-2017/04
-RUB/USD	RUB	449,160	2017/10-2018/01	RUB	-	-
-EUR/USD	EUR	10,000	2017/11-2018/02	EUR	-	-
-JPY/USD	JPY	3,963,600	2017/12-2018/03	JPY	-	-
Currency swap contracts						
-USD/NTD	USD	500	2017/12-2018/03	USD	-	-

Items	2017/12/31 Contract amount (Nominal principal) (in thousands)		2017/12/31 Contract period	2016/12/31 Contract amount (Nominal principal) (in thousands)		2016/12/31 Contract period
Derivative financial liabilities:						
Forward exchange contracts						
-EUR/USD	EUR	313,000	2017/09-2018/04	EUR	110,000	2016/12-2017/05
-RUB/USD	RUB	-	-	RUB	124,612	2016/12-2017/01
-SEK/USD	SEK	174,020	2017/12-2018/03	SEK	124,661	2016/12-2017/02
-CHF/USD	CHF	4,967	2017/11-2018/01	CHF	-	-
-INR/USD	INR	-	-	INR	341,850	2016/12-2017/01
-IDR/USD	IDR	-	-	IDR	269,610,000	2016/12-2017/01
-GBP/USD	GBP	22,600	2017/10-2018/04	GBP	7,000	2016/12-2017/04
-USD/NTD	USD	-	-	USD	600	2016/12-2017/02
-PLN/USD	PLN	48,686	2017/11-2018/02	PLN	-	-
-CAD/USD	CAD	36,800	2017/06-2018/03	CAD	-	-
-AUD/USD	AUD	14,000	2017/12-2018/02	AUD	-	-
-NTD/USD	USD	145,000	2017/10-2018/01	USD	-	-
Currency option contracts						
-EUR/USD	EUR	208,000	2017/11-2018/03	EUR	72,000	2016/12-2017/03
-JPY/USD	JPY	7,642,950	2017/12-2018/03	JPY	34,050,000	2016/12-2017/04
-RUB/USD	RUB	4,447,730	2017/11-2018/03	RUB	6,537,310	2016/11-2017/03
-INR/USD	INR	10,125,760	2017/10-2018/04	INR	-	-
-GBP/USD	GBP	29,000	2017/11-2018/02	GBP	-	-
-CNH/USD	CNH	1,919,033	2017/08-2018/04	CNH	-	-
-USD/NTD	USD	-	-	USD	174,000	2016/11-2017/03
Currency swap contracts						
-USD/NTD	USD	20,000	2017/03-2018/06	USD	-	-

(A) Forward exchange contracts

The Group entered into forward exchange contracts to sell various forward foreign currencies to hedge exchange rate risk of import and export proceeds. However, these forward exchange contracts are not accounted for under hedge accounting.

(B) Currency option contracts

The Group entered into currency option contracts to buy or sell various foreign currencies rights at an agreed price in the future to hedge exchange rate risk of import and export proceeds. However, these currency option contracts are not accounted for under hedge accounting.

(C) Currency swap contracts

The Group entered into currency swap contracts to hedge cash flow risk of the floating-rate liability positions. However, these currency swap contracts are not accounted for under hedge accounting.

C. The Group has no financial assets at fair value through profit or loss pledged to others.

(3) Available-for-sale financial assets

		2017/12/31		2016/12/31
Current items:				
Listed and OTC stocks	$	310,939	$	280,939
Unlisted and non-OTC stocks		-		30,000
		310,939		310,939
Valuation adjustment		556,915		66,923
Accumulated impairment	(	64,460)	(	64,414)
	$	803,394	$	313,448
Non-current items:				
Listed and OTC stocks	$	26,591,875	$	26,591,903
Unlisted and non-OTC stocks		355,066		305,440
Convertible bonds		7,575		7,575
		26,954,516		26,904,918
Valuation adjustment		27,419,567		31,630,884
Accumulated impairment	(	140,693)	(	141,969)
	$	54,233,390	$	58,393,833

A. The Group recognized ($3,734,883) and $6,113,856 in other comprehensive income (loss) for fair value change and reclassified $52,397 and ($10,716) from equity to profit or loss for the years ended December 31, 2017 and 2016, respectively.

B. After evaluating and comparing the carrying amount of available-for-sale financial assets and its recoverable amounts, the Group recognized impairment loss amounting to $3,454 and $21,932 for the years ended December 31, 2017 and 2016, respectively.

C. The Group has no available-for-sale financial assets pledged to others.

(4) Financial assets measured at cost

		2017/12/31		2016/12/31
Non-current items:				
Unlisted and non-OTC stocks	$	315,641	$	288,558
Private fund		59,771		69,631
		375,412		358,189
Accumulated impairment	(	194,099)	(	204,731)
	$	181,313	$	153,458

A. In accordance with the Group's intention, its investment in unlisted and non-OTC stocks and the private fund should be classified as "available-for-sale financial assets". However, as the investments are not traded in active market, and no sufficient industry, financial information and investment portfolio of the private fund can be obtained, the fair value of the investments cannot be measured reliably. Thus, the Group classified those funds as "financial assets measured at cost".

B. The Group has no financial assets measured at cost pledged to others.

(5) Hedge accounting

	2017/12/31	2016/12/31
	Assets (Liabilities)	Assets (Liabilities)
Current items:		
Forward exchange contracts - cash flow hedges	$ 11,392	$ 1,329,360
Forward exchange contracts - cash flow hedges	(682,446)	(46,526)
	($ 671,054)	$ 1,282,834

Cash flow hedges:

	Hedged item	Derivative instruments designated as hedges	Fair value of derivative instruments designated as hedges	Period of anticipated cash flow	Period of gain (loss) expected to be recognized
2017/12/31	Expected transactions	Forward exchange contracts	($ 671,054)	2018/01-2018/07	2018/01-2018/07
2016/12/31	Expected transactions	Forward exchange contracts	1,282,834	2017/01-2017/06	2017/01-2017/06

A. The hedged highly probable forecast transactions denominated in foreign currency are expected to occur during the next 12 months. Amounts accumulated in “other comprehensive income” as of December 31, 2017 are recycled into profit or loss in the periods when the hedged asset acquired or the hedged liability assumed affects profit or loss. The Group has assessed that the effect of profit or loss arising from ineffective cash flow hedge is insignificant as the Group was effective mostly in executing the hedge transactions for the years ended December 31, 2017 and 2016, respectively.

B. Information on gain or loss arising from cash flow hedges recognized in profit (loss) and other comprehensive income (loss):

	For the years ended December 31,	
	2017	2016
Amount adjusted in other comprehensive income (loss)	($ 1,953,888)	$ 395,549
Amount transferred from other comprehensive income to profit (loss)	(2,137,129)	1,280,086

C. The unexpired contracts are as follows:

	2017/12/31			2016/12/31		
	Contract amount (Nominal principal) (in thousands)		Contract period	Contract amount (Nominal principal) (in thousands)		Contract period
Derivative financial assets for hedging:						
Forward exchange contracts						
-EUR/USD	EUR	130,000	2017/09-2018/03	EUR	535,000	2016/10-2017/06
-GBP/USD	GBP	-	-	GBP	28,000	2016/11-2017/03
-JPY/USD	JPY	1,500,000	2017/11-2018/03	JPY	4,500,000	2016/11-2017/03
-SEK/USD	SEK	-	-	SEK	46,000	2016/12-2017/03
-RUB/USD	RUB	-	-	RUB	200,000	2016/12-2017/03
-AUD/USD	AUD	5,000	2017/12-2018/03	AUD	18,000	2016/10-2017/03
-INR/USD	INR	-	-	INR	1,025,000	2016/11-2017/03
-PLN/USD	PLN	-	-	PLN	130,000	2016/10-2017/03
-NOK/USD	NOK	20,000	2017/10-2018/03	NOK	36,000	2016/11-2017/03
-TRY/USD	TRY	-	-	TRY	24,000	2016/11-2017/03
Derivative financial liabilities for hedging:						
Forward exchange contracts						
-INR/USD	INR	750,000	2017/12-2018/03	INR	425,000	2016/12-2017/03
-SEK/USD	SEK	50,000	2017/09-2018/03	SEK	12,000	2016/12-2017/03
-RUB/USD	RUB	1,800,000	2017/12-2018/03	RUB	2,900,000	2016/11-2017/03
-TRY/USD	TRY	-	-	TRY	10,000	2016/12-2017/03
-EUR/USD	EUR	620,000	2017/06-2018/07	EUR	-	-
-GBP/USD	GBP	30,000	2017/09-2018/03	GBP	-	-
-AUD/USD	AUD	15,000	2017/12-2018/03	AUD	-	-
-PLN/USD	PLN	60,000	2017/12-2018/03	PLN	-	-
-NOK/USD	NOK	20,000	2017/12-2018/03	NOK	-	-

(6) Notes and trade receivables

	2017/12/31	2016/12/31
Notes receivable	$ 8,369,528	$ 4,890,436
Trade receivables	80,957,042	85,382,828
	89,326,570	90,273,264
Less: Allowance for sales returns and discounts	(1,986,834)	(2,497,173)
Less: Allowance for doubtful accounts (accumulated impairment)	(2,460,433)	(3,077,754)
	$ 84,879,303	$ 84,698,337

A. The aging analysis of trade receivables that were past due but not impaired is as follows:

	2017/12/31	2016/12/31
Less than 90 days	$ 9,774,462	$ 11,518,562
Between 91 and 180 days	200,925	462,395
More than 181 days	60,096	165,909
	$ 10,035,483	$ 12,146,866

The above aging analysis is based on past due date, and there was no significant change for the credit quality of the above receivables after the assessment. They were still considered collectible, and had no impairment concern.

B. Individual assessment of impaired trade receivables:

(A) Impaired but not past due

	2017/12/31	2016/12/31
Gross amount	$ 15	$ 1,719

(B) Impaired and past due

	2017/12/31	2016/12/31
Gross amount	$ 2,460,418	$ 3,076,035

(C) Movements for allowance for doubtful accounts (accumulated impairment) of trade receivables are as follows:

	2017		
	Individual provision	Group provision	Total
January 1	$ 1,928,328	$ 1,149,426	$ 3,077,754
Recognition (reversal)	(42,603)	(351,985)	(394,588)
Write-offs	(400)	(17,639)	(18,039)
Net exchange differences	(147,870)	(56,824)	(204,694)
December 31	$ 1,737,455	$ 722,978	$ 2,460,433

	2016		
	Individual provision	Group provision	Total
January 1	$ 2,066,841	$ 880,732	$ 2,947,573
Recognition (reversal)	(103,469)	351,963	248,494
Write-offs	(300)	(58,856)	(59,156)
Net exchange differences	(34,744)	(24,413)	(59,157)
December 31	$ 1,928,328	$ 1,149,426	$ 3,077,754

C. The credit quality of trade receivables that are neither past due nor impaired based on the Group's Credit Quality Control Policy is as follows:

	2017/12/31	2016/12/31
Group 1	$ 38,905,037	$ 40,219,490
Group 2	27,569,255	27,441,545
	$ 66,474,292	$ 67,661,035

Group 1: Insured, or guaranteed by the third party, or the trading object is the associate.

Group 2: Neither insured and guaranteed by the third party, nor the trading object is the associate.

D. The Group holds financial assets as security for trade receivables.

(7) Offsetting financial assets and financial liabilities

A. The Group has assets (fair value of $32,856,423 and $35,269,570 on December 31, 2017 and 2016, respectively) and liabilities (fair value of $40,618,937 and $44,557,406 on December 31, 2017 and 2016, respectively) with certain companies that meet the offsetting criteria in paragraph 42 of IAS 32, resulting in the presentation of a net amount for trade receivables and notes and trade payables. For certain transactions, the Group has received financial assets from those companies as collateral on December 31,2016, and accordingly, it does not meet the offsetting criteria in paragraph 42 of IAS 32. However, under the associated collateral agreement, the collateral can be set off against the net amount of the assets and liabilities in the case of default and insolvency or bankruptcy.

B. Financial assets and financial liabilities subject to master netting arrangements are as follows:

	Offsetting trade receivables, notes and trade payables					
	Gross amount of financial assets (before offset)	Gross amount of financial liabilities (before offset)	Offsetting amount	Amount of financial assets presented in the balance sheet (after offset)	Amount of financial liabilities presented in the balance sheet (after offset)	Not set off in the balance sheet: collateral (received) /provided
2017/12/31	$ 32,856,423	($ 40,618,937)	($ 32,856,423)	$ -	($ 7,762,514)	$ -
2016/12/31	35,269,570	(44,557,406)	(35,131,118)	138,452	(9,426,288)	(30,000)

(8) Inventories

	2017/12/31		
	Cost	Allowance for valuation loss	Book value
Raw materials	$ 36,986,735	($ 5,112,502)	$ 31,874,233
Work in process	2,241,052	(216,099)	2,024,953
Finished goods	2,501,394	(323,269)	2,178,125
Merchandise inventories	54,650,769	(8,782,364)	45,868,405
Inventories in transit	1,110,241	-	1,110,241
	$ 97,490,191	($ 14,434,234)	$ 83,055,957

	2016/12/31		
	Cost	Allowance for valuation loss	Book value
Raw materials	$ 36,882,054	($ 4,121,806)	$ 32,760,248
Work in process	2,625,452	(268,039)	2,357,413
Finished goods	2,575,216	(369,548)	2,205,668
Merchandise inventories	60,775,002	(11,730,587)	49,044,415
Inventories in transit	726,952	-	726,952
	$ 103,584,676	($ 16,489,980)	$ 87,094,696

Except for costs of goods sold, the inventories recognized as operating costs amounted to ($775,539) and $2,520,913, of which ($1,271,658) and $2,015,033 pertain to the (reversal) decline in value of inventories for the years ended December 31, 2017 and 2016, respectively. The Group reversed a previous inventory write-down which was accounted for as reduction of cost of goods sold because some inventories with allowance for valuation loss had been sold during the year ended December 31, 2017.

(9) Investments accounted for under equity method

	2017/12/31	2016/12/31
Associates	$ 364,542	$ 356,037

A. The Group's associates are all immaterial, and the summary on financial information of share attributable to the Group is as follows:

	For the years ended December 31,	
	2017	2016
Profit (loss) for the year	$ 23,971	$ 13,455
Other comprehensive income (loss) for the year - net of income tax	4,517	987
Total comprehensive income (loss) for the year	$ 28,488	$ 14,442

B. The fair value of the Group's associates which have quoted market price is as follows:

	2017/12/31	2016/12/31
Fair value of associates	$ 190,823	$ 154,213

(10) Property, plant and equipment

	Land	Buildings	Machinery and equipment	Miscellaneous equipment	Construction in progress and equipment under installation	Total
January 1, 2017						
Cost	$ 6,474,545	$ 7,155,510	$ 5,280,117	$ 7,299,782	$ -	$ 26,209,954
Accumulated depreciation and impairment	-	(2,608,710)	(3,624,234)	(6,233,243)	-	(12,466,187)
	$ 6,474,545	$ 4,546,800	$ 1,655,883	$ 1,066,539	$ -	$ 13,743,767
January 1, 2017	$ 6,474,545	$ 4,546,800	$ 1,655,883	$ 1,066,539	$ -	$ 13,743,767
Acquisitions	-	85,864	721,404	522,835	845,837	2,175,940
Disposals	-	(12,839)	(30,793)	(13,794)	-	(57,426)
Depreciation	-	(260,331)	(543,881)	(440,174)	-	(1,244,386)
Impairment	-	-	(11,164)	(103)	-	(11,267)
Reversal of impairment	-	-	15,332	-	-	15,332
Reclassifications	-	52,577	32,250	89,944	557,241	732,012
Effects due to changes in consolidated entities	-	-	-	7,332	-	7,332
Net exchange differences	(44,194)	(59,001)	(10,854)	(5,003)	8,224	(110,828)
December 31, 2017	$ 6,430,351	$ 4,353,070	$ 1,828,177	$ 1,227,576	$ 1,411,302	$ 15,250,476
December 31, 2017						
Cost	$ 6,430,351	$ 7,165,888	$ 5,586,398	$ 6,328,088	$ 1,411,302	$ 26,922,027
Accumulated depreciation and impairment	-	(2,812,818)	(3,758,221)	(5,100,512)	-	(11,671,551)
	$ 6,430,351	$ 4,353,070	$ 1,828,177	$ 1,227,576	$ 1,411,302	$ 15,250,476

	Land	Buildings	Machinery and equipment	Miscellaneous equipment	Construction in progress and equipment under installation	Total
January 1, 2016						
Cost	$ 2,078,462	$ 6,562,164	$ 5,222,523	$ 7,627,479	$ -	$ 21,490,628
Accumulated depreciation and impairment	-	(2,501,325)	(3,266,645)	(6,679,869)	-	(12,447,839)
	$ 2,078,462	$ 4,060,839	$ 1,955,878	$ 947,610	$ -	$ 9,042,789
January 1, 2016	$ 2,078,462	$ 4,060,839	$ 1,955,878	$ 947,610	$ -	$ 9,042,789
Acquisitions	4,397,691	376,093	426,458	386,096	-	5,586,338
Disposals	-	-	(76,271)	(20,368)	-	(96,639)
Depreciation	-	(241,941)	(585,459)	(385,327)	-	(1,212,727)
Impairment	-	-	(6,895)	-	-	(6,895)
Reversal of impairment	-	-	13,573	1,191	-	14,764
Reclassifications	-	492,153	16,522	170,213	-	678,888
Net exchange differences	(1,608)	(140,344)	(87,923)	(32,876)	-	(262,751)
December 31, 2016	$ 6,474,545	$ 4,546,800	$ 1,655,883	$ 1,066,539	$ -	$ 13,743,767
December 31, 2016						
Cost	$ 6,474,545	$ 7,155,510	$ 5,280,117	$ 7,299,782	$ -	$ 26,209,954
Accumulated depreciation and impairment	-	(2,608,710)	(3,624,234)	(6,233,243)	-	(12,466,187)
	$ 6,474,545	$ 4,546,800	$ 1,655,883	$ 1,066,539	$ -	$ 13,743,767

A. After evaluating and comparing the carrying amount of property, plant and equipment and its recoverable amounts, the Group recognized impairment loss amounting to $11,267 and $6,895 and impairment reversal gain amounting to $15,332 and $14,764 for the years ended December 31, 2017 and 2016, respectively.

B. Information about the property, plant and equipment that were pledged to others as collateral is provided in Note 8.

(11) Intangible assets

	Trademark	Computer software	Goodwill	Others	Total
January 1, 2017					
Cost	$ 358,298	$ 1,670,272	$ 1,180,170	$ 710,478	$ 3,919,218
Accumulated amortisation and impairment	(3,195)	(1,363,602)	(48,272)	(605,425)	(2,020,494)
	$ 355,103	$ 306,670	$ 1,131,898	$ 105,053	$ 1,898,724
January 1, 2017	$ 355,103	$ 306,670	$ 1,131,898	$ 105,053	$ 1,898,724
Acquisitions	-	324,057	-	-	324,057
Disposals	-	(17,247)	-	-	(17,247)
Amortisation	-	(277,191)	-	(35,222)	(312,413)
Reclassifications	-	61,534	-	-	61,534
Net exchange differences	-	(1,480)	-	8	(1,472)
December 31, 2017	$ 355,103	$ 396,343	$ 1,131,898	$ 69,839	$ 1,953,183
December 31, 2017					
Cost	$ 358,298	$ 2,033,671	$ 1,180,794	$ 651,650	$ 4,224,413
Accumulated amortisation and impairment	(3,195)	(1,637,328)	(48,896)	(581,811)	(2,271,230)
	$ 355,103	$ 396,343	$ 1,131,898	$ 69,839	$ 1,953,183

	Trademark	Computer software	Goodwill	Others	Total
January 1, 2016					
Cost	$ 358,722	$ 1,555,146	$ 1,180,853	$ 671,191	$ 3,765,912
Accumulated amortisation and impairment	(3,619)	(1,192,659)	(48,955)	(524,184)	(1,769,417)
	$ 355,103	$ 362,487	$ 1,131,898	$ 147,007	$ 1,996,495
January 1, 2016	$ 355,103	$ 362,487	$ 1,131,898	$ 147,007	$ 1,996,495
Acquisitions	-	154,061	-	42,854	196,915
Disposals	-	(1,750)	-	-	(1,750)
Amortisation	-	(210,676)	-	(85,130)	(295,806)
Reversal of impairment	-	-	-	460	460
Reclassifications	-	3,252	-	(124)	3,128
Net exchange differences	-	(704)	-	(14)	(718)
December 31, 2016	$ 355,103	$ 306,670	$ 1,131,898	$ 105,053	$ 1,898,724
December 31, 2016					
Cost	$ 358,298	$ 1,670,272	$ 1,180,170	$ 710,478	$ 3,919,218
Accumulated amortisation and impairment	(3,195)	(1,363,602)	(48,272)	(605,425)	(2,020,494)
	$ 355,103	$ 306,670	$ 1,131,898	$ 105,053	$ 1,898,724

A. After evaluating the carrying amount of intangible assets and its recoverable amounts, the Group recognized impairment reversal gain amounting to $0 and $460 for the years ended December 31, 2017 and 2016, respectively.

B. The impairment assessment of goodwill relies on the managements' subjective judgement, including identifying cash-generating units and determining the recoverable amounts of related cash-generating units. The recoverable amount is based on the fair value of cash generating units less disposal costs. The fair value is based on stock price in active market classified as Level 2. The main investment however has been listed on the TWSE from August, 2017 and the fair value is classified as Level 1 on December 31, 2017.

C. The Group has no intangible assets pledged to others.

(12) Long-term prepaid rents (shown as "Other non-current assets")

	2017/12/31	2016/12/31
Land use right	$ 1,196,841	$ 1,244,205

In December, 2017, February, 2014, September, 2013, April, 2010, November, 2008, October, 2006, and July, 2002, the Group signed a land use right contract with Suzhiu City Government, Shanghai City Government, Chongqing City Government and Wujiang City Government, for the use of land for a period of 40~50 years. All rentals had been paid on the contract dates. The Group recognized rental expenses of $32,660 and $35,140 for the years ended December 31, 2017 and 2016, respectively.

(13) Short-term borrowings

Type of borrowings	2017/12/31	Interest rate range	Collateral
Bank borrowings			
Credit borrowings	$ 5,750,078	0.80% ~2.90%	-

Type of borrowings	2016/12/31	Interest rate range	Collateral
Bank borrowings			
Credit borrowings	$ 2,978,526	0.78%~4.00%	-

(14) Long-term borrowings

Type of borrowings	Borrowing period and repayment term	Interest rate range	Collateral	2017/12/31
Credit borrowings - installment-repayment				
Bank of Taiwan	2017.10~2019.09, payable at maturity date, commencing 2 years after the initial date of borrowing	1.11%	-	$ 440,000
Taishin International Bank	2017.03~2020.03, payable at maturity date, commencing 3 years after the signature date of contract	1.28%	-	500,000
Others	2017.05~2022.05	4.01%~ 4.48%	Land and buildings	73,927
				1,013,927
Less: Current portion of long-term borrowings				(2,750)
				$ 1,011,177

Type of borrowings	Borrowing period and repayment term	Interest rate range	Collateral	2016/12/31
Credit borrowings - installment-repayment				
Mega International Commercial Bank	2015.02~2017.09, payable at maturity date, commencing 2 years after the initial date of borrowing	1.51%~ 2.61%	-	$ 645,000
Bank of Taiwan	2016.09~2018.09, payable at maturity date, commencing 2 years after the initial date of borrowing	1.31%	-	240,000
Taishin International Bank	2016.10~2018.03, payable at maturity date, commencing 3 years after the signing date of contract	1.28%~ 1.40%	-	300,000
Others	2012.05~2017.05	2.62%~ 2.65%	Buildings	83,092
				1,268,092
Less: Current portion of long-term borrowings				(728,092)
				$ 540,000

Under the borrowing contracts, the Company's subsidiaries who signed the contracts are required to maintain certain covenants annually agreed by both sides, and the bank can inspect at any time when necessary. As of December 31, 2017 and 2016, the Company's subsidiaries who signed the contracts did not violate any of the covenants specified in the contract.

(15) Pensions

A. Defined benefit pension plans

(A) The Company and its domestic subsidiaries have a defined benefit pension plan in accordance with the Labor Standards Law, covering all regular employees' service years prior to the enforcement of the Labor Pension Act on July 1, 2005 and service years thereafter of employees who chose to continue to be subject to the pension mechanism under the Law. Under the defined benefit pension plan, two units are accrued for each year of service for the first 15 years and one unit for each additional year thereafter, subject to a maximum of 45 units. Pension benefits are based on the number of units accrued and the average monthly salaries and wages of the last 6 months prior to retirement. The Company and its domestic subsidiaries contribute monthly an amount equal to 2% of the employees' monthly salaries and wages to the retirement fund deposited with Bank of Taiwan, the trustee, under the name of the independent retirement fund committee. Also, the Company and its domestic subsidiaries would assess the balance in the aforementioned labor pension reserve account by December 31, every year. If the account balance is not enough to pay the pension calculated by the aforementioned method to the employees expected to qualify for retirement in the following year, the Company and its domestic subsidiaries will make contribution for the deficit by next March.

(B) The amounts recognized in the balance sheets are as follows:

	2017/12/31	2016/12/31
Present value of defined benefit obligations	($ 371,237)	($ 330,219)
Fair value of plan assets	218,427	209,595
Net defined benefit liability	($ 152,810)	($ 120,624)

(C) Movements in net defined benefit liabilities are as follows:

	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liability
January 1, 2017	($ 330,219)	$ 209,595	($ 120,624)
Current service cost	(15,554)	-	(15,554)
Interest (expense) income	(4,761)	2,752	(2,009)
Remeasurements:			
Return on plan assets (excluding amounts included in interest income or expense)	-	(681)	(681)
Change in demographic assumptions	(12,010)	-	(12,010)
Change in financial assumptions	(749)	-	(749)
Experience adjustments	(8,842)	-	(8,842)
Pension fund contribution	-	6,761	6,761
Pension payment	3,367	-	3,367
Exchange difference	(2,469)	-	(2,469)
December 31, 2017	($ 371,237)	$ 218,427	($ 152,810)

	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liability
January 1, 2016	($ 294,438)	$ 207,438	($ 87,000)
Current service cost	(14,306)	-	(14,306)
Interest (expense) income	(4,691)	3,106	(1,585)
Remeasurements:			
Return on plan assets (excluding amounts included in interest income or expense)	-	(1,620)	(1,620)
Change in demographic assumptions	(13,092)	-	(13,092)
Change in financial assumptions	(8,555)	-	(8,555)
Experience adjustments	(12,326)	-	(12,326)
Pension fund contribution	-	5,731	5,731
Pension payment	5,060	(5,060)	-
Exchange difference	12,129	-	12,129
December 31, 2016	($ 330,219)	$ 209,595	($ 120,624)

(D) The Bank of Taiwan was commissioned to manage the Fund of the Company’s and its domestic subsidiaries’ defined benefit pension plan in accordance with the Fund’s annual investment and utilization plan and the “Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund” (Article 6: The scope of utilization for the Fund includes deposit in domestic or foreign financial institutions, investment in domestic or foreign listed, over-the-counter, or private placement equity securities, investment in domestic or foreign real estate securitization products, etc.). With regard to the utilisation of the Fund, its minimum earnings in the annual distributions on the final financial statements shall be no less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks. If the earnings is less than aforementioned rates, government shall make payment for the deficit after being authorized by the Regulator. The Company has no right to participate in managing and operating that fund and hence the Company is unable to disclose the classification of plan asset fair value in accordance with IAS 19 paragraph 142. The composition of fair value of plan assets as of December 31, 2017 and 2016 is given in the Annual Labor Retirement Fund Utilization Report announced by the government.

(E) The principal actuarial assumptions used are as follows:

	For the years ended December 31,	
	2017	2016
Discount rate	1.20%~7.50%	1.20%~8.50%
Future salary increases rate	2.00%~10.00%	2.00%~10.00%

Assumptions regarding future mortality experience are set based on actuarial advice in accordance with published statistics and experience in each territory.

Because the main actuarial assumption changed, the present value of defined benefit obligation is affected. The analysis was as follows:

	Discount rate		Future salary increases rate	
	Increase 0.25%~1%	Decrease 0.25%~1%	Increase 0.25%~1%	Decrease 0.25%~1%
December 31, 2017				
Effect on present value of defined benefit obligation	($ 17,291)	$ 18,167	$ 13,278	($ 12,497)
December 31, 2016				
Effect on present value of defined benefit obligation	($ 15,551)	$ 17,090	$ 12,004	($ 11,685)

The sensitivity analysis above was determined based on the change of one assumption while the other conditions remain unchanged. In practice, the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated. The method of analysing sensitivity and the method of calculating net pension liability in the balance sheets are the same.

(F) Expected contributions to the defined benefit pension plans of the Group for the year ending December 31, 2018 are $7,572.

(G) As of December 31, 2017, the weighted average duration of that retirement plan is 10.2 ~ 25 years.

B. Defined contribution pension plans

(A) Effective July 1, 2005, the Company and its domestic subsidiaries have established a defined contribution pension plan (New Plan) under the Labor Pension Act, covering all regular employees with R.O.C. nationality. Under the New Plan, the Company and its domestic subsidiaries contribute monthly an amount based on 6% of the employees' monthly salaries and wages to the employees' individual pension accounts at the Bureau of Labor Insurance. The benefits accrued are paid monthly or in lump sum upon termination of employment.

(B) The Company's mainland subsidiaries have a defined contribution plan. Monthly contributions to an independent fund administered by the government in accordance with the pension regulations in the People's Republic of China are based on certain percentage of employees' monthly salaries and wages. Other than the monthly contributions, the Group has no further obligations.

(C) The pension costs under the defined contribution pension plans of the Group were $1,079,828 and $1,125,825 for the years ended December 31, 2017 and 2016, respectively.

(16) Provisions for liabilities

	Provisions for warranty	Provisions for sales returns and discounts	Provisions for legal claims and royalty	Total
January 1, 2017	$ 14,070,105	$ 21,576,443	$ 7,650,131	$ 43,296,679
Recognition (reversal)	11,563,922	38,247,846	447,914	50,259,682
Used	(11,252,149)	(38,134,158)	(245,485)	(49,631,792)
Net exchange differences	(803,175)	(1,339,184)	(603,020)	(2,745,379)
December 31, 2017	$ 13,578,703	$ 20,350,947	$ 7,249,540	$ 41,179,190

	Provisions for warranty	Provisions for sales returns and discounts	Provisions for legal claims and royalty	Total
January 1, 2016	$ 12,332,740	$ 17,910,712	$ 7,793,243	$ 38,036,695
Recognition (reversal)	14,327,547	42,444,106	86,417	56,858,070
Used	(12,232,516)	(38,342,468)	(75,908)	(50,650,892)
Net exchange differences	(357,666)	(435,907)	(153,621)	(947,194)
December 31, 2016	$ 14,070,105	$ 21,576,443	$ 7,650,131	$ 43,296,679

Analysis of total provisions:

	2017/12/31	2016/12/31
Current	$ 41,179,190	$ 43,296,679

A. Provisions for warranty

The Group provides warranties on 3C products sold. Provision for warranty is estimated based on these products' historical warranty data. A provision is recognized as current when it is expected to be used in one year.

B. Provisions for sales returns and discounts

The Group allows sales returns and provides discounts on 3C products sold. Provision for sales returns and discounts is estimated based on these products' historical data and other known factors. A provision is recognized as current when it is expected to be used in one year.

C. Provisions for legal claims and royalty

The Group recognizes provision for legal claims or royalty fees made by the patentees against the Group. After taking appropriate legal advice, the management evaluates the probable claimable fees accrued as provision for liabilities. The provision charge is recognized in profit or loss within operating costs and expenses.

(17) Common shares

A. As of December 31, 2017, the Company's authorized capital was $47,500,000, consisting of 4,750,000,000 shares of common stock (including 50,000,000 shares which were reserved for employee stock options), and the paid-in capital was $7,427,603, with a par value of $10 (in dollars) per share. All proceeds from shares issued have been collected.

The number of the Company's ordinary shares outstanding at the beginning and ending for the years ended December 31, 2017 and 2016 are both 742,760,280 shares.

B. As of December 31, 2017, the Company issued Global Depositary Receipts (GDRs), of which 5,005,000 units of the GDRs are now listed on the Luxembourg Stock Exchange. Per unit of GDR represents 5 shares of the Company's common stock and total GDRs represent 25,026,000 shares of the Company's common stock. The terms of GDR are as follows:

(A) Voting rights

GDR holders may, pursuant to the Depositary Agreement and the relevant laws and regulations of the R.O.C., exercise the voting rights pertaining to the underlying common shares represented by the GDRs.

(B) Dividends, stock warrants and other rights

GDR holders and common shareholders are all entitled to receive dividends. The Depositary may issue new GDRs in proportion to GDRs holding ratios or raise the number of shares of common stock represented by each unit of GDR or sell stock dividends on behalf of GDR holders and distribute proceeds to them in proportion to their GDRs holding ratios.

(18) Capital surplus

Pursuant to the R.O.C. Company Law, capital surplus arising from paid-in capital in excess of par value on issuance of common stocks and donations can be used to cover accumulated deficit or to issue new stocks or cash to shareholders in proportion to their share ownership, provided that the

Company has no accumulated deficit. Further, the R.O.C. Securities and Exchange Act requires that the amount of capital surplus to be capitalized mentioned above should not exceed 10% of the paid-in capital each year. Capital surplus should not be used to cover accumulated deficit unless the legal reserve is insufficient.

	2017/12/31	2016/12/31
Share premium	$ 4,227,966	$ 4,227,966
Difference between consideration and carrying amount of subsidiaries acquired or disposed	897,804	846,333
Recognition of changes in ownership interest in subsidiaries	422,528	-
Changes in associates and joint ventures accounted for under equity method	5,899	5,423
	$ 5,554,197	$ 5,079,722

(19) Retained earnings

A. Under the Company's Articles of Incorporation, the current year's earnings, if any, shall first be used to pay all taxes and offset prior years' operating losses and then 10% of the remaining amount shall be set aside as legal reserve. When such legal reserve amounts to the total authorized capital, the Company shall not be subject to this requirement. The Company may then appropriate or reverse a certain amount as special reserve according to the demand for the business or relevant regulations. After the distribution of earnings, the remaining earnings and prior years' undistributed earnings may be appropriated according to a resolution of the Board of Directors adopted in the shareholders' meeting.

B. The Company is facing a rapidly changing industrial environment, with the life cycle of the industry in the growth phase. In line with the long-term financial plan of the Company and the demand for cash by the shareholders, the Company should distribute cash dividends of not less than 10% of the total dividends declared.

C. Except for covering accumulated deficit, increasing capital or payment of cash in proportion to ownership percentage, the legal reserve shall not be used for any other purpose. The amount capitalized or the cash payment shall be limited to the portion of legal reserve which exceeds 25% of the paid-in capital.

D. (A) In accordance with the regulations, the Company shall set aside special reserve from the debit balance on other equity items at the end of the financial reporting period before distributing earnings. When debit balance on other equity items is reversed subsequently, the reversed amount could be included in the distributable earnings.

(B) The amounts previously set aside by the Company as special reserve on initial application of IFRSs in accordance with Jin-Guan-Zheng-Fa-Zi Letter No. 1010012865, dated April 6, 2012, shall be reversed proportionately when the relevant assets are used, disposed of or reclassified subsequently.

E. As resolved by the shareholders on June 8, 2016, the Company distributed cash dividends to owners amounting to $11,141,404 ($15 (in dollars) per share) for the appropriation of 2015 earnings. On June 7, 2017, the shareholders resolved to distribute cash dividends amounting to $12,626,925 ($17 (in dollars) per share) for the appropriation of 2016 earnings.

F. The appropriations of 2017 earnings had been proposed by the Board of Directors on March 16, 2018. Details are summarized as follows:

	For the year ended December 31, 2017	
	Amount	Dividends per share (in dollars)
Cash dividends	$ 11,141,404	$ 15.00

As of March 16, 2018, the appropriations of 2017 earnings stated above had not been resolved by the shareholders.

G. For the information relating to employees' compensation and directors' remuneration, please refer to Note 6(25).

(20) Other equity

	Gain (loss) on effective portion of cash flow hedges	Unrealized gain on valuation of available-for-sale financial assets	Financial statements translation differences of foreign operations	Remeasurement of defined benefit plans	Total
January 1, 2017	$ 1,282,834	$ 31,628,691	$ 2,149,750	($ 78,993)	$ 34,982,282
-The Company	-	(3,887,043)	(4,302,517)	-	(8,189,560)
-Subsidiaries	(1,953,888)	152,167	276,978	(19,274)	(1,544,017)
-Associates	-	(7)	(169)	-	(176)
December 31, 2017	($ 671,054)	$ 27,893,808	($ 1,875,958)	($ 98,267)	$ 25,248,529

	Gain (loss) on effective portion of cash flow hedges	Unrealized gain on valuation of available-for-sale financial assets	Financial statements translation differences of foreign operations	Remeasurement of defined benefit plans	Total
January 1, 2016	$ 887,285	$ 25,514,835	$ 2,927,648	($ 59,628)	$ 29,270,140
-The Company	-	6,150,310	(884,984)	-	5,265,326
-Subsidiaries	395,549	(36,459)	107,285	(19,365)	447,010
-Associates	-	5	(199)	-	(194)
December 31, 2016	$ 1,282,834	$ 31,628,691	$ 2,149,750	($ 78,993)	$ 34,982,282

(21) Operating revenue

	For the years ended December 31,	
	2017	2016
Sales revenue	$ 433,966,791	$ 466,802,706

(22) Other income

	For the years ended December 31,	
	2017	2016
Interest income	$ 1,081,957	$ 866,175
Dividend income	2,828,411	2,851,280
	$ 3,910,368	$ 3,717,455

(23) Other gains (losses)

	For the years ended December 31,	
	2017	2016
Net gains (losses) on non-derivative financial instruments	$ 312,045	$ 34,171
Net gains (losses) on derivative financial instruments	(2,647,636)	1,512,488
Net currency exchange gains (losses)	5,353,971	(525,304)
Gains (losses) on disposal of investments	54,156	21,759
Other net gains (losses)	397,257	818,415
	$ 3,469,793	$ 1,861,529

(24) Costs and expenses by nature

	For the years ended December 31,					
	2017			2016		
	Operating costs	Operating expenses	Total	Operating costs	Operating expenses	Total
Employee benefit expenses	$ 3,632,899	$ 22,527,035	$ 26,159,934	$ 3,282,252	$ 20,512,508	$ 23,794,760
Depreciation	566,918	677,468	1,244,386	540,198	672,529	1,212,727
Amortisation	18,028	385,028	403,056	14,813	370,210	385,023

(25) Employee benefit expenses

	For the years ended December 31,	
	2017	2016
Wages and salaries	$ 22,848,803	$ 20,481,492
Labor and health insurance	1,505,443	1,438,975
Pension (Note)	1,097,391	1,141,716
Other personnel expenses	708,297	732,577
	$ 26,159,934	$ 23,794,760

Note: Includes the pension expense under the defined contribution plan and defined benefit plan.

A. According to the Articles of Incorporation of the Company, the current year’s profit shall be used first to cover accumulated deficit, if any, and then the remaining balance shall be distributed as follows: no less than 1% as employees’ compensation, and no more than 1% as directors’ remuneration.

B. For the years ended December 31, 2017 and 2016, employees' compensation was accrued at $1,064,379 and $1,364,457, respectively; directors' remuneration was accrued at $56,020 and $71,814, respectively. The aforementioned amounts were recognized in salary expenses.

The employees' compensation and directors' remuneration were estimated and accrued based on no less than 1% and no more than 1% of profit of current year distributable for the year ended December 31, 2017. The Board of Directors resolved to distribute employees' and directors' compensation amounting to $1,064,379 and $56,020, respectively, and employees' compensation will be distributed in cash.

Employees' compensation and directors' remuneration for 2016 as resolved by the Board of Directors during its meeting were in agreement with those amounts recognized in the 2016 financial statements. The employees' compensation mentioned above is distributed in cash.

Information about employees' compensation and directors' remuneration of the Company as resolved by the Board of Directors during its meeting is available at the Market Observation Post System website.

(26) Income tax

A. Income tax expenses

(A) Components of income tax expense:

	For the years ended December 31, 2017	For the years ended December 31, 2016
Current income tax:		
Current income tax on profits for the year	$ 1,962,126	$ 2,816,310
Additional 10% tax on unappropriated earnings	468,961	427,410
Difference between prior year's income tax estimation and assessed results	69,096	650,510
Total current income tax	2,500,183	3,894,230
Deferred income tax:		
Origination and reversal of temporary	701,455	769,315
Impact of change in tax rate	722,102	-
Income tax expenses	$ 3,923,740	$ 4,663,545

(B) The income tax relating to components of other comprehensive income is as follows:

	For the years ended December 31, 2017	For the years ended December 31, 2016
Changes in fair value of available-for-sale financial assets	$ 19,459	$ 17,695
Currency translation differences	(822,595)	(137,004)
Remeasurement of defined benefit plans	(1,222)	(15,979)
	($ 804,358)	($ 135,288)

B. Reconciliation between income tax expenses and accounting profit:

	For the years ended December 31,	
	2017	2016
Income tax calculated based on profit before tax and statutory tax rate	$ 3,772,803	$ 5,004,417
Effect from items disallowed by tax regulations	(487,635)	(486,509)
Effect from tax exemption on investment income (loss)	(317,306)	(242,724)
Effect from investment tax credit	(47,235)	(56,171)
Effect from net operating loss carryforward	7,831	3,881
Difference between prior year's income tax estimation and assessed results	69,096	650,510
Additional 10% tax on unappropriated earnings	468,961	427,410
Change in assessment of realization of deferred tax assets	69,367	(443,122)
Effect of different tax rates on unrealized profit from sales	111,081	(404,722)
Effect of exchange rates	(589,873)	116,034
Impact of change in tax rate	722,102	-
Taxable loss not recognized as deferred tax assets	104,544	17,708
Others	40,004	76,833
Income tax expenses	$ 3,923,740	$ 4,663,545

C. Amounts of deferred tax assets or liabilities as a result of temporary differences and loss carryforwards are as follows:

	2017				
	January 1	Recognized in profit or loss	Recognized in other comprehensive income	Effect of exchange difference	December 31
Temporary differences:					
- Deferred income tax assets:					
Decline in value of inventories	$ 2,104,161	($ 203,660)	$ -	($ 68,379)	$ 1,832,122
Unrealized profit from sales	736,285	(131,765)	-	(2,942)	601,578
Unrealized purchase discounts	353,949	(11,144)	-	-	342,805
Unrealized sales discounts	1,836,978	(148,633)	-	(69,501)	1,618,844
Unrealized provisions for warranty	1,625,067	(187,018)	-	(61,505)	1,376,544
Other unrealized expenses	1,163,364	(99,023)	-	(12,132)	1,052,209
Loss carryforwards	386,746	36,304	-	(26,932)	396,118
Currency translation differences	23,048	-	357,022	-	380,070
Others	566,259	54,540	4,029	(22,960)	601,868
Subtotal	8,795,857	(690,399)	361,051	(264,351)	8,202,158
- Deferred income tax liabilities:					
Investment income from foreign investees	(9,721,525)	(758,603)	-	-	(10,480,128)
Currency translation differences	(466,901)	-	465,573	-	(1,328)
Unrealized gain on valuation of available-for-sale financial assets	(37,340)	-	(19,459)	-	(56,799)
Others	(158,745)	25,445	(2,807)	696	(135,411)
Subtotal	(10,384,511)	(733,158)	443,307	696	(10,673,666)
Total	($ 1,588,654)	($ 1,423,557)	$ 804,358	($ 263,655)	($ 2,471,508)

	2016				
	January 1	Recognized in profit or loss	Recognized in other comprehensive income	Effect of exchange difference	December 31
Temporary differences:					
- Deferred income tax assets:					
Decline in value of inventories	$ 2,244,698	($ 99,751)	$ -	($ 40,786)	$ 2,104,161
Unrealized profit from sales	955,118	(217,994)	-	(839)	736,285
Unrealized purchase discounts	6,460	347,489	-	-	353,949
Unrealized sales discounts	1,909,944	(13,602)	-	(59,364)	1,836,978
Unrealized provisions for warranty	1,383,118	301,851	-	(59,902)	1,625,067
Other unrealized expenses	1,165,923	18,368	-	(20,927)	1,163,364
Loss carryforwards	294,951	42,893	-	48,902	386,746
Currency translation differences	632	-	22,416	-	23,048
Others	408,463	139,092	15,979	2,725	566,259
Subtotal	8,369,307	518,346	38,395	(130,191)	8,795,857
- Deferred income tax liabilities:					
Investment income from foreign investees	(8,497,517)	(1,224,008)	-	-	(9,721,525)
Currency translation differences	(581,489)	-	114,588	-	(466,901)
Unrealized gain on valuation of available-for-sale financial assets	(19,645)	-	(17,695)	-	(37,340)
Others	(92,747)	(63,653)	-	(2,345)	(158,745)
Subtotal	(9,191,398)	(1,287,661)	96,893	(2,345)	(10,384,511)
Total	($ 822,091)	($ 769,315)	$ 135,288	($ 132,536)	($ 1,588,654)

D. Expiration dates of unused taxable loss and amounts of unrecognized deferred income tax assets are as follows:

2017/12/31

Year incurred	Amount filed/assessed	Unused amount	Unrecognized deferred income tax assets	Year of expiration
2008	$ 38,907	$ 33,621	$ 33,621	2018
2009	118,867	118,867	76,019	2019
2010	42,565	42,565	42,565	2020
2011	110,065	109,286	109,286	2021
2012	302,312	298,847	298,847	2022
2013	160,166	159,750	159,750	2018-2023
2014	195,072	147,922	128,462	2019-2024
2015	823,064	641,106	380,212	2025
2016	127,932	127,906	85,270	2021-2026
2017	1,790,459	1,790,459	636,922	2022-2027

2016/12/31

Year incurred	Amount filed/assessed	Unused amount	Unrecognized deferred income tax assets	Year of expiration
2007	$ 37,642	$ 37,642	$ 37,642	2017
2008	63,186	57,996	33,717	2018
2009	118,867	118,867	76,019	2019
2010	42,565	42,565	42,565	2020
2011	110,065	109,275	109,275	2021
2012	302,312	263,214	263,214	2022
2013	161,413	161,407	161,407	2018-2023
2014	529,511	468,546	284,856	2019-2024
2015	874,285	874,285	504,148	2020-2025
2016	140,122	140,122	87,396	2021-2026

E. The amounts of deductible temporary differences that were not recognized as deferred income tax assets are as follows:

	2017/12/31	2016/12/31
Deductible temporary differences	$ 646,497	$ 802,384

F. As of December 31, 2017 and 2016, all taxable temporary differences associated with investments in subsidiaries that were not recognized as deferred income tax liabilities are insignificant.

G. The Tax Authority has examined the Company's income tax returns through 2015 except for 2014.

H. Unappropriated retained earnings:

	2017/12/31	2016/12/31
Earnings generated in and after 1998	$ 102,790,860	$ 101,793,153

I. As of December 31, 2017 and 2016, the balance of the imputation tax credit account was $14,640,235 and $15,112,733, respectively. The creditable tax rate was 15.67% for the year ended December 31, 2016.

J. The amendments to the Income Tax Act were promulgated and became effective on February 7, 2018. Under the amendments, the corporate income tax rate will be raised from 17% to 20% retroactively effective from January 1, 2018. Such change will increase the deferred income tax assets and liabilities by 3%. However, the impact of temporary differences on income tax is dependent on the Group’s strategy with regard to the amendments and the actual situation in the future. After the Group’s assessment of deferred tax assets and liabilities, there is no significant impact on the Group’s financial condition.

K. On January 18, 2018, the Legislative Yuan passed third reading and revoked the Integrated Income Tax System. The balance of imputation tax credit account will be cleared on January 1, 2018.

(27) Earnings per share

	For the year ended December 31, 2017		
	Amount after income tax	Weighted average number of ordinary shares outstanding (shares in thousands)	Earnings per share (in dollars)
Basic earnings per share			
Profit attributable to ordinary shareholders of the parent	$ 15,544,905	742,760	$ 20.93
Diluted earnings per share			
Assumed conversion of all dilutive potential ordinary shares - employees’ compensation	-	4,795	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	$ 15,544,905	747,555	$ 20.79

	For the year ended December 31, 2016		
	Amount after income tax	Weighted average number of ordinary shares outstanding (shares in thousands)	Earnings per share (in dollars)
<u>Basic earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	$ 19,202,737	742,760	$ 25.85
<u>Diluted earnings per share</u>			
Assumed conversion of all dilutive potential ordinary shares - employees' compensation	-	7,323	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	$ 19,202,737	750,083	$ 25.60

(28) <u>Transactions with non-controlling interests</u>

A. Disposal of equity interest in subsidiaries (without losing control)

From June to August, 2017, the Group disposed 1.14% ownership of its subsidiary－ONYX and received cash consideration of $64,433. In January, September and October, 2016, the Group disposed 2.82%, 0.5% and 2.71% ownership of its subsidiary - ONYX and received cash consideration of $44,889, $18,708 and $83,038, respectively. From April to June, 2016, the Group disposed 2% ownership of its subsidiary－AAEON and received cash consideration of $139,553. The effect of disposal of equity interest in subsidiaries to capital surplus - difference between consideration and carrying amount of subsidiaries acquired or disposed is as follows:

	For the years ended December 31,	
	2017	2016
Proceeds from disposal of subsidiaries	$ 64,433	$ 286,188
Less: Disposed carrying amount of equity interest in subsidiaries	(12,767)	(73,975)
Disposed other equity of subsidiaries	(69)	(1,242)
Capital surplus - difference between consideration and carrying amount of subsidiaries acquired or disposed	$ 51,597	$ 210,971

B. When the subsidiary increased capital by cash, the Group did not acquire new shares in proportion to its existing holdings.

In August 2017, the Group's subsidiary－AAEON increased its capital by issuing new shares and received cash consideration of $1,085,660. Since the Group did not acquire new shares in proportion to its existing holdings, the Group's ownership of the subsidiary decreased by 6.37%.

The effect of the change in ownership interest in subsidiaries to capital surplus - recognition of changes in ownership interest in subsidiaries is as follows:

		For the year ended December 31, 2017
Proceeds from subsidiary increased capital by issuing new shares	$	1,085,660
Less: Increased in carrying amount of non-controlling interest	(	691,971)
Effect of employee share-based payment		9,299
Capital surplus - recognition of changes in ownership interest in subsidiaries	$	402,988

(29) Operating leases

The Group leases offices, warehouse and parking lots under operating lease agreements. The Group recognized rental expenses of $1,119,244 and $1,085,142 for the years ended December 31, 2017 and 2016, respectively. Information about the future aggregate minimum lease payments under non-cancellable operating leases is provided in Note 9.

7. **RELATED PARTY TRANSACTIONS**

(1) Parent and ultimate controlling party

The Company’s shares are widely held, so there is no ultimate parent or controlling party.

(2) Names of related parties and relationship

Names of related parties	Relationship with the Group
ASUSTOR INC.	Associate
LITEMAX ELECTRONIC INC.	Associate
EXCELLIANCE MOS CORPOATION	Associate
Others (related parties with non-significant transactions)	Others

(3) Significant transactions and balances with related parties

A. Sales of goods:

	For the years ended December 31,			
	2017		2016	
Sales of goods				
-Associates	$	1,762	$	1,369
-Others		9,659		3,813
	$	11,421	$	5,182

The terms of the above transactions are due 30 to 90 days after the date of delivery, open account 60 days or negotiated by both parties, which are similar to those for third parties.

B. Purchases of goods and services:

	For the years ended December 31,	
	2017	2016
Purchases of goods		
-Associates	$ 40,707	$ 46,015
-Others	813,310	964,889
Purchases of services		
-Associates	48	52
-Others	21,489	15,000
	$ 875,554	$ 1,025,956

Purchase terms are open account 30 to 120 days, 45 to 90 days after the date of acceptance or within 1 to 6 months, which are similar to those for third parties.

C. Trade receivables and other receivables:

	2017/12/31	2016/12/31
Trade receivables		
-Associates	$ 499	$ 239
-Others	2,342	641
	2,841	880
Other receivables		
-Associates	252	507
-Others	128	97
	380	604
	$ 3,221	$ 1,484

The trade receivables arise mainly from sales transactions, unsecured in nature and bear no interest.

D. Trade payables and other items of current liabilities:

	2017/12/31	2016/12/31
Trade payables		
-Associates	$ 13,751	$ 8,387
-Others	189,661	230,927
	203,412	239,314
Other items of current liabilities		
-Associates	994	101
-Others	775	-
	1,769	101
	$ 205,181	$ 239,415

The trade payables arise mainly from purchase transactions and bear no interest.

(4) Key management compensation

	For the years ended December 31,	
	2017	2016
Salaries and other short-term employee benefits	$ 698,249	$ 782,942
Post-employment benefits	6,628	6,746
	$ 704,877	$ 789,688

8. **PLEDGED ASSETS**

		Book Value		
Pledged assets	Items	2017/12/31	2016/12/31	Purpose
Other current assets and other non-current assets	Pledged restricted deposits, time deposits and refundable deposits	$ 222,181	$ 214,932	Note
Property, plant and equipment	Land and buildings	217,086	100,375	Bank loans, customs guarantee and credit limits
		$ 439,267	$ 315,307	

Note: Pledged for customs duties, performance bond, lodgment for security decided by court, letter of credit, foreign exchange forward transactions, social security and salary account, etc.

9. **SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED CONTRACT COMMITMENTS**

(1) Contingencies

A. Lawsuits for infringement of intellectual property rights

(A) Several patentees filed lawsuits or investigations for patent infringement including the patent of Blu-Ray, DVD player subtitle, Motherboards and Router, User Interface, audio signal encoding and decoding system, Audio stream, cellphone and pad supporting OK Google function, products with Google Play Movies and TV function, touchscreen scrolling in accordance with user touch control, Pad, products with UMTS and remote upgrade code function against the Group. These lawsuits or investigations are currently under investigation in a California court, in a Texas court, in a Delaware court, in a German court, in a French court, in a Netherlands court and in an England court. The Group cannot presently determine the ultimate outcome of these lawsuits, but has already recognized the possible loss in the financial statements.

(B) Several patentees filed lawsuits or investigations for patent infringement including supporting Smart Lock function for Android 5.0, AP and router products supporting MU-MIMO, DVD player restriction technology, Zhuyin input function, product with walking navigation, 3GPP(UMTS), record and display function for dynamic and static imaging, triggering function in Camera app for saving information and static imaging processing technique in low power, products using SK hynix Solid State Drive, processors and memories of Samsung, product with Nvidia GPU, MP3 function for desktop and notebook, SDRAM function, ZenFone trademarks, Google Now digital assistant and Google's Voice Actions function against the Group. These lawsuits or investigations are currently under investigation in a Taiwan court, in a Texas court, in a California court, in a Delaware court, at the United States International Trade Commission, in a German court and in an India court. The Group cannot presently determine the ultimate outcome and effect of these lawsuits.

B. The European Commission has started an investigation into whether the Group has restricted the retail prices of distributors in February, 2017. This case is under investigation, and the Group cannot presently determine the outcome. The Group has always followed the law and regulations and will fully cooperate with the regulators with respect to this investigation.

(2) Commitments

A. The Group has signed a contract amounting to $3,541,253 for the construction of a new office building of the headquarters, but has not recognized capital expenditures as of December 31, 2017.

B. The Group leases offices, warehouse and parking lots under non-cancellable operating lease agreements. The future aggregate minimum lease payments are as follows:

	2017/12/31	2016/12/31
Less than 1 year	$ 702,091	$ 583,696
Between 1 and 2 years	487,377	306,650
Between 2 and 3 years	206,828	183,776
Between 3 and 4 years	132,364	64,049
More than 4 years	211,673	74,103

10. **SIGNIFICANT DISASTER LOSS:** None.

11. **SIGNIFICANT EVENTS AFTER THE END OF THE FINANCIAL REPORTING PERIOD**:

Please refer to 6(26) J.

12. **OTHERS**

(1) Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt. The Group monitors capital on the basis of the liability ratio. This ratio is calculated as total liabilities by total assets. Total liabilities is calculated as "current liabilities plus non-current liabilities" as shown in the consolidated balance sheets.

During 2017, the Group’s strategy was to maintain the liability ratio within reasonable security range, which was unchanged from 2016. The liability ratios are as follows:

	2017/12/31	2016/12/31
Total liabilities	$ 166,216,866	$ 180,002,712
Total equity	178,674,303	184,217,214
Total assets	$ 344,891,169	$ 364,219,926
Liability ratio	48.19%	49.42%

(2) Financial instruments

A. Fair value information of financial instruments

The carrying amounts of financial instruments measured at non fair value (including cash and cash equivalents, notes and trade receivables, other receivables, refundable deposits, short-term borrowings, notes and trade payables, other payables - accrued expenses, other current liabilities, guarantee deposits received, current portion of long-term borrowings and long-term borrowings) are reasonably approximate to the fair values. Please refer to Note 12(3) for the fair value information of financial instruments measured at fair value.

B. Financial risk management policies

(A)The Group’s operating activities expose the Group to a variety of financial risks, including market risk (including foreign exchange risk, price risk and interest rate risk), credit risk and liquidity risk. The Group’s overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group’s financial position and financial performance. The Group uses various derivative financial instruments to hedge certain risk exposures. Please refer to Notes 6(2) and 6(5).

(B)The Group’s key financial plans are all reviewed by the Board of Directors under the related principles and internal control system. When executing the financial plans, the Group’s treasury departments will follow the financial operating procedures in accordance with the overall financial risk management and proper segregation of duties.

C. Nature and degree of significant financial risks

(A) Market risk

Foreign exchange risk

a. The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the USD, EUR and CNY. Foreign exchange risk arises from future commercial transactions, recognized assets and liabilities and net investments in foreign operations.

b. The management has set up the policy to require group companies to manage their foreign exchange risk against their functional currency. To manage their foreign exchange risk arising from future commercial transactions and recognized assets and liabilities, the Group uses derivative financial instruments to hedge, like forward exchange contracts, currency option contracts, currency swap contracts, etc. Foreign exchange risk arises when future commercial transactions or recognized assets or liabilities are denominated in a currency that is not the entity's functional currency.

c. The Group has certain investments in foreign operations, whose net assets are exposed to foreign currency translation risk.

d. For hedging recognized assets or liabilities denominated in foreign currencies or the highly probable forecast transactions, the Group adopts the foreign exchange contracts and other derivative financial instruments to hedge the fair value risk and cash flow risk due to foreign exchange rate fluctuations. The Group monitors exchange rate fluctuation at any time and pre-sets a "stop loss" amount to limit its foreign exchange risk.

e. The Group's businesses involve some non-functional currency operations (the Company's and certain subsidiaries' functional currency is NTD; other certain subsidiaries' functional currency is USD, EUR, CNY, etc.). Non-monetary items are assessed to have no significant impact on the Group. The information on assets and liabilities denominated in foreign currencies whose values would be materially affected by the exchange rate fluctuations is as follows:

	2017/12/31					
				Sensitivity Analysis		
	Foreign currency amount (In dollars)	Exchange rate	Book value (NTD)	Extent of variation	Effect on profit or loss	Effect on other comprehensive income
(Foreign currency: functional currency)						
Financial assets						
Monetary items						
USD:NTD	$ 2,991,872,022	29.760	$ 89,038,111	1%	$ 890,381	$ -
EUR:USD	462,594,040	35.569	16,454,078	1%	164,541	-
CNH:USD	2,250,184,341	4.565	10,272,506	1%	102,725	-
Financial liabilities						
Monetary items						
USD:NTD	3,750,761,060	29.760	111,622,649	1%	1,116,226	-
EUR:USD	59,877,814	35.569	2,129,803	1%	21,298	-
CNH:USD	2,186,888,918	4.565	9,983,550	1%	99,836	-

	2016/12/31					
				Sensitivity Analysis		
	Foreign currency amount (In dollars)	Exchange rate	Book value (NTD)	Extent of variation	Effect on profit or loss	Effect on other comprehensive income
(Foreign currency: functional currency)						
Financial assets						
Monetary items						
USD:NTD	$ 3,187,222,660	32.250	$ 102,787,931	1%	$ 1,027,879	$ -
EUR:USD	471,291,619	33.901	15,977,351	1%	159,774	-
CNH:USD	2,197,268,825	4.618	10,147,427	1%	101,474	-
Financial liabilities						
Monetary items						
USD:NTD	4,057,899,448	32.250	130,867,257	1%	1,308,673	-
EUR:USD	45,899,608	33.901	1,556,052	1%	15,561	-
CNH:USD	1,925,135,695	4.618	8,890,662	1%	88,907	-

f. Net currency exchange gains (losses) (including realized and unrealized) arising from significant foreign exchange variation on the monetary items held by the Group for the years ended December 31, 2017 and 2016, amounted to $5,353,971 and ($525,304), respectively.

Price risk

a. The Group is exposed to equity securities price risk because of investments held by the Group either as at fair value through profit or loss or available-for-sale on stock investments. To manage its price risk arising from investments in equity securities, the Group diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits set by the Group.

b. The prices of the Group’s investments in equity securities would change due to the change of the future value of investee companies. If the prices of these equity securities had increased by 1% with all other variables held constant, non-operating revenues for the years ended December 31, 2017 and 2016 would have increased by $4,891 and $2,230, respectively. Other comprehensive income - unrealized gain on valuation of available-for-sale financial assets would have increased by $550,292 and $586,997, respectively. The Group is exposed to equity securities price risk because of investments held by the Group and classified on the consolidated balance sheets either as available-for-sale or at fair value through profit or loss. The Group has no price risk of merchandise inventories. To manage its price risk arising from investments in equity securities, the Group diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits set by the Group.

Interest rate risk

a. The Group’s interest rate risk arises from borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk which is partially offset by cash and cash equivalents held at variable rates. During the years ended December 31, 2017 and 2016, the Group’s borrowings at variable rate were denominated in USD, CNH and NTD.

b. The Group analyses its interest rate exposure on a dynamic basis. Various scenarios are simulated taking into consideration refinancing, renewal of existing positions, alternative financing and hedging. Based on these scenarios, the Group calculates the impact on profit and loss of a defined interest rate shift. For each simulation, the same interest rate shift is used for all currencies. The scenarios are run only for liabilities that represent the major interest-bearing positions. The Group expects no significant interest rate risk.

c. At December 31, 2017 and 2016, if interest rates on borrowings had been 1 basis point (0.01%) higher with all other variables held constant, non-operating expenses for the years ended December 31, 2017 and 2016 would have been $1,229 and $588 higher, respectively, mainly as a result of higher interest expense on floating rate borrowings.

(B) Credit risk

a. Credit risk refers to the risk of financial loss to the Group arising from default by the clients or counterparties of financial instruments on the contract obligations. The maximum exposure to credit risk is the carrying amount of all financial instruments. According to the Group's credit policy, each operating entity in the Group is responsible for managing and analysing the credit risk for each of their new clients before standard payment and delivery terms and conditions are offered. Internal risk control assesses the credit quality of the customers, taking into account their financial position, past experience and other factors. Individual risk limits are set by the Board of Directors based on internal or external ratings. The utilization of credit limits is regularly monitored. Credit risk arises mainly from cash and cash equivalents, derivative financial instruments, deposits and short-term financial products guaranteed income with banks and financial institutions, as well as credit exposures to wholesale and retail customers, including outstanding receivables. For banks and financial institutions, only those with a rating of "A" class above as evaluated by an independent party are accepted as counterparties.

b. No credit limits were exceeded during the years ended December 31, 2017 and 2016, and the management does not expect any significant losses from non-performance by these counterparties.

c. The credit quality information of financial assets that are neither past due nor impaired, the aging analysis of financial assets that were past due but not impaired and the individual analysis of financial assets that had been impaired is provided in the statement for each type of financial assets as described in Note 6.

(C) Liquidity risk

a. Cash flow forecasting is performed in the operating entities of the Group and aggregated by the Group treasury. The Group treasury monitors rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities at all times so that the Group does not breach borrowing limits or covenants on any of its borrowing facilities. Such forecasting takes into consideration the Group's cash flow plans and compliance with internal balance sheets ratio targets.

b. The Group treasury invests surplus cash in demand deposits, time deposits and marketable securities, choosing instruments with appropriate maturities or sufficient liquidity to provide sufficient headroom as determined by the abovementioned forecasts. At December 31, 2017 and 2016, the Group held financial assets at fair value through profit or loss of $8,036,538 and $5,312,977, respectively, that are expected to readily generate cash inflows for managing liquidity risk.

c. The table below analyses the Group's non-derivative financial liabilities and derivative financial liabilities into relevant maturity groupings based on the remaining period at the end of the financial reporting period to the contractual maturity date for non-derivative financial liabilities and to the expected maturity date for derivative financial liabilities. The amounts disclosed in the table are the contractual undiscounted cash flows.

2017/12/31	Less than 1 year	Between 1 and 2 years	Between 2 and 3 years	More than 3 years	Total
Non-derivative financial liabilities:					
Short-term borrowings	$ 5,750,078	$ -	$ -	$ -	$ 5,750,078
Notes and trade payables	56,494,911	-	-	-	56,494,911
Other payables - accrued expenses	39,704,639	-	-	-	39,704,639
Long-term borrowings (including current portion)	2,750	442,750	502,750	65,677	1,013,927
Other financial liabilities	1,199,921	36	-	8,297	1,208,254
Derivative financial liabilities:					
Forward exchange contracts	897,265	-	-	-	897,265
Currency option contracts	209,548	-	-	-	209,548
Currency swap contracts	5,612	-	-	-	5,612

2016/12/31	Less than 1 year	Between 1 and 2 years	Between 2 and 3 years	More than 3 years	Total
Non-derivative financial liabilities:					
Short-term borrowings	$ 2,978,526	$ -	$ -	$ -	$ 2,978,526
Notes and trade payables	73,544,002	-	-	-	73,544,002
Other payables - accrued expenses	38,104,869	-	-	-	38,104,869
Long-term borrowings (including current portion)	728,092	540,000	-	-	1,268,092
Other financial liabilities	1,207,407	-	-	-	1,207,407
Derivative financial liabilities:					
Forward exchange contracts	66,202	-	-	-	66,202
Currency option contracts	129,299	-	-	-	129,299

d. The Group does not expect the timing of occurrence of the cash flows estimated through the maturity date analysis to be significantly earlier, nor expect the actual cash flow amount to be significantly different.

(3) Fair value information

A. The different levels that the inputs to valuation techniques are used to measure fair value of financial and non-financial instruments have been defined as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date. A market is regarded as active where a market in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: Unobservable inputs for the asset or liability.

B. The related information on financial and non-financial instruments measured at fair value by level on the basis of the nature, characteristics and risks of the assets and liabilities is as follows:

	2017/12/31			
	Level 1	Level 2	Level 3	Total
Assets:				
Recurring fair value measurements				
Financial assets at fair value through profit or loss				
Open-end funds	$ 7,547,488	$ -	$ -	$ 7,547,488
Listed and OTC stocks	489,050	-	-	489,050
Forward exchange contracts	-	19,126	-	19,126
Currency option contracts	-	1,333	-	1,333
Currency swap contracts	-	65	-	65
Derivative financial assets for hedging	-	11,392	-	11,392
Available-for-sale financial assets				
Listed and OTC stocks	54,856,137	-	-	54,856,137
Unlisted and non-OTC stocks	-	170,843	2,229	173,072
Convertible bonds	-	-	7,575	7,575
	$ 62,892,675	$ 202,759	$ 9,804	$ 63,105,238
Liabilities:				
Recurring fair value measurements				
Financial liabilities at fair value through profit or loss				
Forward exchange contracts	$ -	$ 214,819	$ -	$ 214,819
Currency option contracts	-	209,548	-	209,548
Currency swap contracts	-	5,612	-	5,612
Derivative financial liabilities for hedging	-	682,446	-	682,446
	$ -	$ 1,112,425	$ -	$ 1,112,425

	2016/12/31			
	Level 1	Level 2	Level 3	Total
Assets:				
Recurring fair value measurements				
Financial assets at fair value through profit or loss				
Open-end funds	$ 5,089,953	$ -	$ -	$ 5,089,953
Listed and OTC stocks	223,024	-	-	223,024
Forward exchange contracts	-	676,275	-	676,275
Currency option contracts	-	181,397	-	181,397
Derivative financial assets for hedging	-	1,329,360	-	1,329,360
Available-for-sale financial assets				
Listed and OTC stocks	58,487,162	-	-	58,487,162
Unlisted and non-OTC stocks	-	198,933	13,611	212,544
Convertible bonds	-	-	7,575	7,575
	$ 63,800,139	$ 2,385,965	$ 21,186	$ 66,207,290
Liabilities:				
Recurring fair value measurements				
Financial liabilities at fair value through profit or loss				
Forward exchange contracts	$ -	$ 19,676	$ -	$ 19,676
Currency option contracts	-	129,299	-	129,299
Derivative financial liabilities for hedging	-	46,526	-	46,526
	$ -	$ 195,501	$ -	$ 195,501

C. The methods and assumptions the Group used to measure fair value are as follows:

(A) The instruments the Group used market quoted prices as their fair values (that is, Level 1) are listed below by characteristics:

	Listed and OTC stocks	Open-end fund	Convertible bond
Market quoted price	Closing price	Net asset value	Closing price

(B) Except for financial instruments with active markets, the fair value of other financial instruments is measured by using valuation techniques or by reference to counterparty quotes. The fair value of financial instruments measured by using valuation techniques can be referred to current fair value of instruments with similar terms and characteristics in substance, discounted cash flow method or other valuation methods, including calculated by applying model using market information available at the financial reporting date.

(C) For high-complexity financial instruments, the fair value is measured by using self-developed valuation model based on the valuation method and technique widely used within the same industry. The valuation model is normally applied to derivative financial instruments, debt instruments with embedded derivatives or securitised instruments. Certain inputs used in the valuation model are not observable at market, and the Group must make reasonable estimates based on its assumptions.

(D) The valuation of derivative financial instruments is based on valuation model widely accepted by market participants, such as present value techniques and option pricing models. Forward exchange contracts are usually valued based on the current forward exchange rate.

(E) The output of valuation model is an estimated value and the valuation technique may not be able to capture all relevant factors of the Group's financial and non-financial instruments. Therefore, the estimated value derived using valuation model is adjusted accordingly with additional inputs, for example, model risk or liquidity risk. In accordance with the Group's management policies and relevant control procedures relating to the valuation models used for fair value measurement, management believes adjustment to valuation is necessary in order to reasonably represent the fair value of financial and non-financial instruments at the consolidated balance sheets. The pricing and inputs information used during valuation are carefully assessed and adjusted based on current market conditions.

D. JMC ELECTRONICS CO., LTD. has been listed on the TWSE from January, 2017, therefore, the Group has transferred the fair value from Level 2 to Level 1 at the end of the month when the event occurred. For the year ended December 31, 2016, there was no transfer between Level 1 and Level 2.

E. The following chart is the movement of Level 3:

	2017		
	Equity instruments	Debt instruments	Total
January 1	$ 13,611	$ 7,575	$ 21,186
Recognized in profit (loss) (Note 1)	(3,409)	-	(3,409)
Recognized in net other comprehensive income (loss) (Note 2)	(7,973)	-	(7,973)
December 31	$ 2,229	$ 7,575	$ 9,804

	2016		
	Equity instruments	Debt instruments	Total
January 1	$ 28,131	$ 7,575	$ 35,706
Recognized in profit (loss) (Note 1)	(20,064)	-	(20,064)
Recognized in net other comprehensive (loss) (Note 2)	8,067	-	8,067
Disposals	(2,523)	-	(2,523)
December 31	$ 13,611	$ 7,575	$ 21,186

Note 1 : Recorded as other gains (losses).

Note 2 : Recorded as unrealized gain (loss) on valuation of available-for-sale financial assets.

F. There was no transfer into or out from Level 3 for the years ended December 31, 2017 and 2016.

G. The investment segment is in charge of valuation procedures for fair value measurements being categorized within Level 3, which is to verify independent fair value of financial instruments. Such assessment is to ensure the valuation results are reasonable by applying independent information to make results close to current market conditions, confirming the source of information is independent, reliable and in line with other resources and any other necessary adjustments to the fair value.

The investment segment cooperatively set up valuation policies, valuation processes and rules for measuring fair value of financial instruments that ensure compliance with the related requirements in IFRS.

H. The following is the qualitative information of significant unobservable inputs and sensitivity analysis of changes in significant unobservable inputs to valuation model used in Level 3 fair value measurement:

	Fair value at December 31, 2017	Valuation technique	Significant unobservable input	Range (weighted average)	Relationship of inputs to fair value
Equity instruments:					
Unlisted and non-OTC stocks	$ 2,229	Net asset value	Not applicable	Not applicable	The higher the net asset value, the higher the fair value
Debt instruments:					
Convertible bonds	$ 7,575	Net asset value	Not applicable	Not applicable	The higher the net asset value, the higher the fair value

	Fair value at December 31, 2016	Valuation technique	Significant unobservable input	Range (weighted average)	Relationship of inputs to fair value
Equity instruments:					
Unlisted and non-OTC stocks	$ 13,611	Net asset value	Not applicable	Not applicable	The higher the net asset value, the higher the fair value
Debt instruments:					
Convertible bonds	$ 7,575	Net asset value	Not applicable	Not applicable	The higher the net asset value, the higher the fair value

I. The Group has carefully assessed the valuation models and assumptions used to measure fair value; therefore, the fair value measurement is reasonable. However, use of different valuation models or assumptions may result in a different outcome.

13. **SUPPLEMENTARY DISCLOSURES**

(1) Significant transactions information

A. Financings provided: Please refer to table 1.

B. Endorsements and guarantees provided: Please refer to table 2.

C. Marketable securities held at the ended of period (excluding investments in subsidiaries, associates and joint ventures): Please refer to table 3.

D. Marketable securities acquired and disposed of at costs or prices of at least $300 million or 20% of the paid-in capital: Please refer to table 4.

E. Acquisition of real estate properties at costs of at least NT$300 million or 20% of the paid-in capital: Please refer to table 5.

F. Disposal of real estate properties at prices of at least NT$300 million or 20% of the paid-in capital: None.

G. Total purchases from or sales to related parties of at least $100 million or 20% of the paid-in capital: Please refer to table 6.

H. Receivables from related parties amounting to at least $100 million or 20% of the paid-in capital: Please refer to table 7.

I. Trading in derivative instruments undertaken during the reporting periods: Please refer to 6(2), (5) and 12(2).

J. Intercompany relationships and significant intercompany transactions (only disclosures transactions amount at least $100 million or 20% of the paid-in capital): Please refer to table 8.

(2) Information on investees

Names, locations, and related information of investees over which the company exercises significant influence (excluding information on investment in mainland China): Please refer to table 9.

(3) Information on investments in China

A. Information on investment in mainland China: Please refer to table 10.

B. Significant transactions, either directly or indirectly through a third area, with investee companies in China: Please refer to table 8.

14. **OPERATING SEGMENT INFORMATION**

(1) General information

Management has determined the reportable operating segments based on the reports reviewed by the Board of Directors that are used to make strategic decisions. There is no material change in the basis for formation of entities and division of segments in the Group or in the measurement basis for segment information in this period.

(2) Measurement basis

The Group uses the revenue and operating profit as the measurement for operating segment profit and the basis of performance assessment. The accounting policies of the operating segments and the accounting policies described in Note 4 of the consolidated financial statements are the same.

(3) Segment information

The segment information provided to the chief operating decision-maker for the reportable segments is as follows:

	For the year ended December 31, 2017		
	3C Brand	Others	Total
Revenues from external customers	$ 391,888,303	$ 42,078,488	$ 433,966,791
Revenues from other segments	$ 1,010,445	$ 7,126,116	- (Note 1)
Segment income	$ 12,517,854	$ 224,357	$ 12,742,211
Total assets (Note 2)	$ -	$ -	$ -

	For the year ended December 31, 2016		
	3C Brand	Others	Total
Revenues from external customers	$ 427,941,886	$ 38,860,820	$ 466,802,706
Revenues from other segments	$ 782,772	$ 7,267,603	- (Note 1)
Segment income	$ 17,394,527	$ 1,400,259	$ 18,794,786
Total assets (Note 2)	$ -	$ -	$ -

Note 1: The intra-segment revenues have been eliminated to $0.

Note 2: Because the Group's segment assets are not provided to the chief operating decision-maker, such items are not required to be disclosed.

(4) Reconciliation for segment income

A. The intra-segment transactions are based on fair value. The revenues from external customers reported to the chief operating decision-maker are measured in a manner consistent with the consolidated statements of comprehensive income.

B. The reconciliation of the reportable operating segment's profit (others are the same as consolidated statements of comprehensive income) is as follows:

	For the years ended December 31,	
	2017	2016
Reportable operating segments' profit before adjustment	$ 12,742,211	$ 18,794,786
Unallocated profit (loss)	(7,374)	(42,831)
Reportable operating segments' profit	$ 12,734,837	$ 18,751,955

(5) Geographical information

Geographical information for the years ended December 31, 2017 and 2016 is as follows:

	For the years ended December 31,			
	2017		2016	
	Revenue	Non-current assets	Revenue	Non-current assets
Taiwan	$ 69,893,799	$ 15,730,854	$ 69,869,403	$ 15,261,601
China	71,942,390	6,597,867	77,633,211	5,317,323
Singapore	174,007,620	2,392	182,288,894	1,839
USA	64,473,223	1,015,953	70,798,042	1,086,534
Europe	28,929,614	55,030	38,845,866	66,734
Others	24,720,145	354,240	27,367,290	357,574
Total	$ 433,966,791	$ 23,756,336	$ 466,802,706	$ 22,091,605

The above non-current assets exclude financing instruments, deferred income tax assets and certain other non-current assets.

(6) Major customer information

No single customer accounts for more than 10% of the consolidated operating revenue for the years ended December 31, 2017 and 2016.

ASUSTEK COMPUTER INC. AND SUBSIDIARIES

FINANCINGS PROVIDED

FOR THE YEAR ENDED DECEMBER 31, 2017

Table 1

(Amounts in thousands of New Taiwan dollars and foreign currencies)

No.	Financing Company	Counter-party	Financial Statement Account	Related Party	Maximum Balance for the Period	Ending Balance	Amount Actually Drawn	Interest Rate (%)	Nature for Financing (Note 1)	Transaction Amounts	Reason for Financing	Allowance for Bad Debt	Collateral		Financing Limits for Each Borrowing Company (Note 2)	Financing Company's Total Financing Amount Limits (Note 2)	Note
													Item	Value			
1	ASTP	ASGL	Other receivables and other non-current assets	Yes	40,176,000 (USD 1,350,000)	26,784,000 (USD 900,000)	26,784,000 (USD 900,000)	0.23320 ~ 1.61331	b	-	Need for operations	-	-	-	40,072,909 (USD 1,346,536)	40,072,909 (USD 1,346,536)	
2	ONYX	ONYXSH	Other receivables	Yes	7,440 (USD 250)	- (USD -)	- (USD -)	3.70000	a	43,425	-	-	-	-	43,425	348,120	
3	ASKEY	SILIGENCE	Other receivables	Yes	135,767 (USD 4,562)	- (USD -)	- (USD -)	1.35000 ~ 1.95000	b	-	Need for operations	-	-	-	815,078	1,086,771	

Note 1：Nature for Financing：a. Business transaction calls for a loan arrangement.

b. The need for short-term financing.

Note 2：Limit of total financing amount：According to Procedures for Lending of ASTP, limit of total financing amount to the subsidiaries whose voting shares are 100% owned, directly or indirectly, by publicly traded parent company -ASUS, which are not located in Taiwan, shall not exceed 100% of the net worth of ASTP as of the period.

According to Procedures for Lending of ONYX, limit of total financing amount shall not exceed 40% ONYX's the net worth of the latest audited or reviewed report.

According to Procedures for Lending of ASKEY, limit of total financing amount shall not exceed 20% of the net worth of ASKEY as of the period.

Limit financing amount for individual counter-party：According to Procedures for Lending of ASTP, limit of financing amount to the subsidiaries whose voting shares are 100% owned, directly or indirectly, by publicly traded parent company -ASUS, which are not located in Taiwan, for individual counter-party shall not exceed 100% of the net worth of ASTP as of the period.

According to Procedures for Lending of ONYX, limit of financing amount for individual counter-party shall not exceed 10% of the net worth of ONYX as of the period.

Where funds are loaned for business dealings, limit of financing amount for individual counter-party shall not exceed business dealings amount of latest year.

Business dealings amount here means sales amount or purchase amount of lender and borrower, which is higher.

According to Procedures for Lending of ASKEY, limit of financing amount for individual counter-party shall not exceed 15% of the net worth of ASKEY as of the period.

Note 3：Amount denominated in foreign currencies in this table are re-translated at the exchange rates prevailing at the end of the financial reporting period.

ASUSTEK COMPUTER INC. AND SUBSIDIARIES

ENDORSEMENTS/GUARANTEES PROVIDED

FOR THE YEAR ENDED DECEMBER 31, 2017

Table 2

(Amounts in thousands of New Taiwan dollars and foreign currencies)

No.	Endorsement/ Guarantee Provider	Guaranteed Party		Limits on Endorsement/ Guarantee Amount Provided to Each Guaranteed Party (Notes 2)	Maximum Balance for the Period	Ending Balance	Amount Actually Drawn	Amount of Endorsement/ Guarantee Collateralized by Properties	Ratio of Accumulated Endorsement/ Guarantee to Net Equity per Latest Financial Statements (%)	Maximum Endorsement / Guarantee Amount Allowable (Note 2)	Guarantee Provided by Parent Company	Guarantee Provided by A Subsidiary	Guarantee Provided to Subsidiaries in Mainland China	Note
		Name	Nature of Relationship (Note 1)											
1	ASKEY	ASKEYJS	c	1,630,156	1,488,000 (USD 50,000)	1,190,400 (USD 40,000)	1,011,840 (USD 34,000)	-	21.91	2,173,542	Y	N	Y	

Note 1： Nature of relationship of guaranteed Party：

a. A company that has a business relationship with endorsement/guarantee provider.

b. A subsidiary in which endorsor/guarantor provider holds directly over 50% of equity interest.

c. An investee in which endorsement/guarantee provider and its subsidiaries hold over 50% of equity interest.

d. An investor which holds directly or indirectly over 50% of equity interest of endorsor/guarantor provider.

e. A company that has provided guarantees to endorsement/guarantee provider, and vice versa, due to contractual requirements.

f. An investee in which endorsement/guarantee provider conjunctly invests with other stockholders, and for which endorsement/guarantee provider has provided endorsement/guarantee provider in proportion to its shareholding percentage.

Note 2： Limit of the total amount of guarantee: According to Procedures for Endorsements and Guarantees of ASKEY, the total amount of guarantee shall not exceed 40% of the net worth of ASKEY as of the period.
Limit of the total amount of guarantee for individual counter-party：According to Procedures for Endorsements and Guarantees of ASKEY, limit of guarantee amount for individual counter-party shall not exceed 30% of the net worth of ASKEY as of the period.

Note 3： Amount denominated in foreign currencies in this table are re-translated at the exchange rates prevailing at the end of the financial reporting period.

ASUSTEK COMPUTER INC. AND SUBSIDIARIES

MARKETABLE SECURITIES HELD
(EXCLUDING INVESTMENTS IN SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES)

DECEMBER 31, 2017

Table 3 (Amounts in thousands of New Taiwan dollars)

Held Company Name	Marketable Securities		Relationship with the Company	Financial Statement Account	December 31, 2017				Note
	Type	Name			Shares/Units	Carrying Value	Percentage of Ownership (%)	Fair Value	
ASUS	Fund	UNION MONEY MARKET	-	Financial assets at fair value through profit or loss	95,139,167	1,249,063	-	1,249,063	
ASUS	Fund	NOMURA TAIWAN MONEY MARKET	-	Financial assets at fair value through profit or loss	41,404,159	671,683	-	671,683	
ASUS	Fund	JIH SUN MONEY MARKET	-	Financial assets at fair value through profit or loss	99,905,228	1,471,354	-	1,471,354	
ASUS	Fund	TAISHIN TA CHONG MONEY MARKET	-	Financial assets at fair value through profit or loss	42,501,948	600,238	-	600,238	
ASUS	Fund	YUANTA DE BAO MONEY MARKET	-	Financial assets at fair value through profit or loss	25,104,603	300,000	-	300,000	
ASUS	Fund	YUANTA WAN TAI MONEY MARKET	-	Financial assets at fair value through profit or loss	33,199,429	500,037	-	500,037	
ASUS	Fund	YUANTA DE LI MONEY MARKET	-	Financial assets at fair value through profit or loss	42,760,000	693,050	-	693,050	
ASUS	Fund	FSITC MONEY MARKET	-	Financial assets at fair value through profit or loss	2,453,541	435,194	-	435,194	
ASUS	Fund	SINOPAC TWD MONEY MARKET	-	Financial assets at fair value through profit or loss	28,456,899	394,000	-	394,000	
ASUS	Stock	SPORTON	-	Financial assets at fair value through profit or loss	333,064	53,457	0.36	53,457	
ASUS	Stock	ENE	-	Available-for-sale financial assets - current	917,247	16,877	1.22	16,877	
ASUS	Stock	ALCOR MICRO	-	Available-for-sale financial assets - current	905,879	18,299	1.23	18,299	
ASUS	Stock	AZUREWAVE	-	Available-for-sale financial assets - current	934,745	15,657	0.70	15,657	
ASUS	Stock	LEDLINK	-	Available-for-sale financial assets - current	718,607	30,972	1.38	30,972	
ASUS	Stock	GLOBALWAFERS	-	Available-for-sale financial assets - current	1,626,626	646,584	0.37	646,584	
ASUS	Stock	JMC	-	Available-for-sale financial assets - current	1,000,000	60,500	1.00	60,500	
ASUS	Stock	ADVANTECH	-	Available-for-sale financial assets - non-current	100,628,870	21,182,377	14.44	21,182,377	
ASUS	Stock	APTOS	-	Available-for-sale financial assets - non-current	625,200	10,941	1.10	10,941	
ASUS	Stock	PEGA	-	Available-for-sale financial assets - non-current	448,506,484	32,292,467	17.16	32,292,467	
ASUS	Stock	EOSTEK	-	Available-for-sale financial assets - non-current	1,600,000	38,093	14.94	38,093	
ASUS	Stock	EOSMEM	-	Available-for-sale financial assets - non-current	301,876	4,830	1.83	4,830	
ASUS	Bond	MOBISOCIAL	-	Available-for-sale financial assets - non-current	-	7,575	-	7,575	
ASUS	Stock	EMPASS	-	Available-for-sale financial assets - non-current	497,500	13,681	19.90	13,681	
ASUS	Stock	NANOLUX	-	Available-for-sale financial assets - non-current	536	27,528	14.51	27,528	
ASUS	Stock	AM TRUST	-	Financial assets carried at cost - non-current	10,000,000	62,859	7.81	-	
ASUS	Fund	TNP	-	Financial assets carried at cost - non-current	94	26,751	2.06	-	
ASUTC	Fund	NOMURA TAIWAN MONEY MARKET	-	Financial assets at fair value through profit or loss	60,031,084	973,860	-	973,860	
ASMEDIA	Fund	FUH HWA RMB MONEY MARKET	-	Financial assets at fair value through profit or loss	531,862	27,796	-	27,796	
ASKEY	Stock	NETCOMM	-	Available-for-sale financial assets - non-current	1,980,000	55,090	1.35	55,090	
ASKEY	Stock	CIPHERMAX	-	Available-for-sale financial assets - non-current	9,234	-	-	-	
ASKEY	Stock	RETI	-	Available-for-sale financial assets - non-current	80,700	-	3.32	-	
MIC	Stock	BROADCOM	-	Available-for-sale financial assets - non-current	90	688	-	688	
MIC	Stock	ZARLINK SEMI-CONDUCTOR	-	Available-for-sale financial assets - non-current	44,775	-	0.04	-	
HCVC	Fund	YUANTA WAN TAI MONEY MARKET	-	Financial assets at fair value through profit or loss	1,062,402	16,002	-	16,002	
HCVC	Fund	TAISHIN TA CHONG MONEY MARKET	-	Financial assets at fair value through profit or loss	757,861	10,703	-	10,703	
HCVC	Fund	YUANTA DE BAO MONEY MARKET	-	Financial assets at fair value through profit or loss	348,419	4,164	-	4,164	
HCVC	Fund	CAPITAL MONEY MARKET	-	Financial assets at fair value through profit or loss	917,513	14,717	-	14,717	
HCVC	Fund	TAISHIN 1699 MONEY MARKET	-	Financial assets at fair value through profit or loss	74,398	1,000	-	1,000	
HCVC	Stock	PRIMESENSOR TECHNOLOGY	-	Available-for-sale financial assets - non-current	233,286	3,646	0.75	3,646	
HCVC	Stock	APAQ TECHNOLOGY	-	Available-for-sale financial assets - non-current	5,568,012	320,160	7.61	320,160	
HCVC	Stock	EOSMEM	-	Available-for-sale financial assets - non-current	301,876	4,830	1.83	4,830	
HCVC	Stock	LEDLINK	-	Available-for-sale financial assets - current	336,546	14,505	0.65	14,505	
HMI	Fund	TAISHIN 1699 MONEY MARKET	-	Financial assets at fair value through profit or loss	669,578	9,004	-	9,004	
HMI	Stock	APAQ TECHNOLOGY	-	Available-for-sale financial assets - non-current	3,210,015	184,576	4.39	184,576	
HMI	Stock	EOSMEM	-	Available-for-sale financial assets - non-current	174,417	2,791	1.06	2,791	
AAEON	Stock	ADVANTECH	-	Financial assets at fair value through profit or loss	730	154	-	154	
AAEON	Fund	MEGA DIAMOND MONEY MARKET	-	Financial assets at fair value through profit or loss	2,091,070	26,066	-	26,066	
AAEON	Stock	MACHVISION	-	Financial assets at fair value through profit or loss	1,860,020	383,164	4.37	383,164	
AAEON	Stock	ATECH OEM TECHNOLOGY	-	Financial assets at fair value through profit or loss	293	4	-	4	
AAEON	Stock	UNITECH ELECTRONICS	-	Available-for-sale financial assets - non-current	549,600	11,789	1.17	11,789	
AAEON	Stock	LILEE SYSTEMS	-	Available-for-sale financial assets - non-current	468,750	-	-	-	
AAEON	Stock	YAN CHUNG TECHNOLOGY	-	Available-for-sale financial assets - non-current	266,600	-	7.27	-	
AAEON	Stock	ALLIED BIOTECH	-	Available-for-sale financial assets - non-current	300,000	4,893	0.32	4,893	
AAEON	Stock	TELEION WIRELESS	-	Available-for-sale financial assets - non-current	149,700	-	-	-	
AAEONI	Fund	HSBC GLOBAL INCOME BOND	-	Financial assets at fair value through profit or loss	555,078	7,030	-	7,030	

Held Company Name	Marketable Securities		Relationship with the Company	Financial Statement Account	December 31, 2017				Note
	Type	Name			Shares/Units	Carrying Value	Percentage of Ownership (%)	Fair Value	
AAEONI	Stock	ATECH OEM TECHNOLOGY	-	Financial assets at fair value through profit or loss	4,320,000	52,271	5.94	52,271	
AAEONI	Stock	MUTTO OPTRONICS	-	Available-for-sale financial assets - non-current	310,000	5,596	0.68	5,596	
AAEONI	Stock	SUNENGINE	-	Available-for-sale financial assets - non-current	1,313,931	2,229	2.75	2,229	
ONYX	Stock	MELTEN CONNECTED HEALTHCARE	-	Financial assets carried at cost - non-current	4,193,548	39,334	7.70	-	
ASGL	Fund	JIH SUN MONEY MARKET	-	Financial assets at fair value through profit or loss	1,055,711	15,548	-	15,548	
AIL	Fund	PRODIGY STRATEGY INVESTMENT XIV	-	Financial assets at fair value through profit or loss	3,530	125,046	-	125,046	
AIL	Stock	EONEX	-	Financial assets carried at cost - non-current	31,733	-	2.70	-	
AIL	Stock	SPLASHTOP	-	Available-for-sale financial assets - non-current	5,728,003	-	3.41	-	
AIL	Stock	GENESIS VC	-	Financial assets carried at cost - non-current	2,929,240	19,349	18.03	-	
AIL	Stock	ISTAGING	-	Available-for-sale financial assets - non-current	988,889	59,610	2.66	59,610	
DDL	Fund	ASIA PACIFIC GENESIS C	-	Financial assets carried at cost - non-current	-	33,020	9.00	-	
AHL	Stock	9SKY	-	Financial assets carried at cost - non-current	1,000,000	-	5.71	-	
UEI	Fund	NOMURA TAIWAN MONEY MARKET	-	Financial assets at fair value through profit or loss	119,142	1,933	-	1,933	

Note ：Amount denominated in foreign currencies in this table are re-translated at the exchange rates prevailing at the end of the financial reporting period.

ASUSTEK COMPUTER INC. AND SUBSIDIARIES

MARKETABLE SECURITIES ACQUIRED AND DISPOSED OF AT COSTS OR PRICES OF AT LEAST NT$300 MILLION OR 20% OF THE PAID-IN CAPITAL

FOR THE YEAR ENDED DECEMBER 31, 2017

Table 4 (Amounts in thousands of New Taiwan dollars)

Company Name	Marketable Securities		Financial Statement Account (Note 1)	Counter-party	Nature of Relationship	Beginning Balance		Acquisition			Disposal					Ending Balance	
	Type	Name				Shares/Units	Amount	Shares/Units	Amount	Note 2	Shares/Units	Amount	Carrying Value	Note 2	Gain/Loss on Disposal	Shares/Units	Amount
ASUS	Fund	UNION MONEY	a	-	-	67,187,488	879,007	490,603,780	6,433,000	a	462,652,101	6,065,000	6,063,149	a	1,851	95,139,167	1,249,063
		MARKET						-	205	b							
ASUS	Fund	NOMURA TAIWAN	a	-	-	-	-	354,066,423	5,733,000	a	312,662,264	5,063,933	5,061,488	a	2,445	41,404,159	671,683
		MONEY MARKET						-	171	b							
ASUS	Fund	JIH SUN MONEY	a	-	-	-	-	193,037,030	2,838,000	a	93,131,802	1,369,940	1,368,000	a	1,940	99,905,228	1,471,354
		MARKET						-	1,354	b							
ASUS	Fund	TAISHIN TA CHONG	a	-	-	-	-	42,501,948	600,000	a	-	-	-	-	-	42,501,948	600,238
		MONEY MARKET						-	238	b							
ASUS	Fund	YUANTA DE BAO	a	-	-	-	-	167,349,356	1,995,000	a	142,244,753	1,695,597	1,695,000	a	597	25,104,603	300,000
		MONEY MARKET															
ASUS	Fund	YUANTA DE LI	a	-	-	-	-	49,361,882	800,000	a	6,601,882	107,000	106,991	a	9	42,760,000	693,050
		MONEY MARKET						-	41	b							
ASUS	Fund	FSITC TAIWAN	a	-	-	76,128,666	1,153,167	32,326,028	490,000	a	108,454,694	1,644,758	1,643,000	a	1,758	-	-
		MONEY MARKET									-	-	167	b			
ASUS	Fund	FSITC MONEY	a	-	-	7,711,599	1,362,717	11,408,826	2,020,000	a	16,666,884	2,948,127	2,947,405	a	722	2,453,541	435,194
		MARKET									-	-	118	b			
ASUS	Fund	SINOPAC TWD	a	-	-	-	-	64,670,152	894,000	a	36,213,253	500,196	500,000	a	196	28,456,899	394,000
		MONEY MARKET															
ASUS	Fund	YUANTA WAN TAI	a	-	-	71,952,511	1,080,057	33,199,429	500,000	a	71,952,511	1,080,590	1,080,000	a	590	33,199,429	500,037
		MONEY MARKET									-	-	20	b			
ASUS	Fund	UPAMC JAMES BOND	a	-	-	-	-	37,750,163	627,000	a	37,750,163	627,042	627,000	a	42	-	-
		MONEY MARKET															
ASUTC	Fund	NOMURA TAIWAN	a	-	-	622,092	10,055	59,408,992	961,000	a	-	-	-	-	-	60,031,084	973,860
		MONEY MARKET						-	2,805	b							
ASUTC	Fund	YUANTA WAN TAI	a	-	-	4,611,471	69,221	54,725,279	823,000	a	59,336,750	893,340	891,069	a	2,271	-	-
		MONEY MARKET									-	-	1,152	b			

Note 1： a. Financial assets at fair value through profit or loss - current

b. Available-for-sale financial assets - current

c. Available-for-sale financial assets - non-current

d. Investments accounted for under equity method

Note 2： a. Acquired or capital increase/ disposed or capital reduction/liquidation in this period

b. Current-revaluation

c. Recognized investment gain or loss under equity investment

d. Effect of exchange rate changes and recognized cumulative translation adjustment under equity investment

e. Recognized equity adjustment under equity investment

f. Re-classification credit of equity investment

g. Received cash dividends

h. Variance of unrealized profit from sale

Note 3： Amount denominated in foreign currencies related to income and expenses in this table are re-translated at average exchange rates from January 1, 2017 to December 31, 2017, otherwise are re-translated at the exchange rates prevailing at the end of the financial reporting period.

ASUSTEK COMPUTER INC. AND SUBSIDIARIES

ACQUISITION OF REAL ESTATE PROPERTIES AT COSTS OF AT LEAST NT$300 MILLION OR 20% OF THE PAID-IN CAPITAL

FOR THE YEAR ENDED DECEMBER 31, 2017

Table 5 (Amounts in thousands of New Taiwan dollars)

Company Name	Name of Property	Transaction Date	Transaction Amount	Payment Status	Counter-party	Relationship with the company	If the counterparty is a related party, information as to the last transaction of the real estate is disclosed below: Former holder of property	Relationship between former holder and acquirer of property	Date of transaction	Transaction Amount	Price Reference	Purpose of acquisition and situation	Other Commitments
ACCQ	Land use right (Note 1)	2017.12.11	874,270	Full paid	Chongqing Administration of Land, Resources and Building	-	Not applicatable	Not applicatable	Not applicatable	Not applicatable	Bidding	Construction of the new office building (land use right has not yet been transfered to ACCQ as of December 31, 2017.)	-

Note 1：Land use right has not yet been transferred to ACCQ as of December 31, 2017. ACCQ booked it in other assets - noncurrent.

Note 2：Amount denominated in foreign currencies in this table are re-translated at the exchange rates prevailing at the end of the financial reporting period.

ASUSTEK COMPUTER INC. AND SUBSIDIARIES

TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES OF AT LEAST NT$100 MILLION OR 20% OF THE PAID-IN CAPITAL

FOR THE YEAR ENDED DECEMBER 31, 2017

Table 6 (Amounts in thousands of New Taiwan dollars)

Company Name	Related Party	Nature of Relationship (Note 1)	Transaction Details				Abnormal Transaction		Notes/Trade Payables or Receivables (Note 3)		Note
			Purchases/ (Sales)	Amount	% to Total Purchases/ (Sales) amount	Payment Terms (Note 2)	Unit Price	Payment Terms	Ending Balance	% to Total Notes/Trade payable or Accounts Receivable (Note 3)	
ASUS	ASUTC	b	(Sales)	(21,425,001)	(6.38)	OA 90	-	-	3,276,581	4.49	
ASUS	ASGL	b	(Sales)	(305,167,421)	(90.86)	OA 180	-	-	63,052,049	86.35	
ASUS	AAEON	b	(Sales)	(653,840)	(0.19)	Month-end 30 days	-	-	146,171	0.20	
ASUS	OB	b	Purchases	916,339	0.31	Month-end 60 days	-	-	(187,635)	(0.40)	
ASUS	ASMEDIA	b	Purchases	320,042	0.11	Month-end 30 days	-	-	-	-	
ASGL	ACCQ	b	(Sales)	(9,379,177)	(2.79)	OA 180	-	-	2,238,224	2.36	
ASGL	ACI	b	(Sales)	(59,504,272)	(17.68)	OA 180	-	-	23,475,541	24.80	
ASGL	ACSH	b	(Sales)	(56,393,065)	(16.75)	OA 180	-	-	24,981,898	26.39	
ASGL	ACJP	b	(Sales)	(7,515,200)	(2.23)	OA 120	-	-	1,831,158	1.93	
ASGL	ASIN	b	(Sales)	(2,720,689)	(0.81)	OA 180	-	-	2,421,915	2.56	
ASGL	ACG	b	(Sales)	(572,917)	(0.17)	OA 90	-	-	68,641	0.07	
ASGL	ACMH	b	(Sales)	(1,425,664)	(0.42)	OA 180	-	-	1,228,306	1.30	
ASGL	ACNL	b	(Sales)	(24,977,004)	(7.42)	OA 180	-	-	4,888,718	5.17	
ASGL	ACH	b	(Sales)	(121,051)	(0.04)	OA 90	-	-	25,479	0.03	
ASKEY	LP	b	(Sales)	(9,890,196)	Note 4	Month-end 90 days	-	Payment term is one to two months longer than third parties	540,208	6.24	
ASKEY	LP	b	Purchases	7,749,195	20.54	Month-end 90 days	Based on cost of finished goods plus related expenditure of related party	-	-	-	
ASKEY	UNI	b	Purchases	18,805,978	49.84	Month-end 90 days	Based on cost of finished goods plus related expenditure of related party	-	(4,177,530)	(76.49)	
ASKEY	ASKEYI	b	(Sales)	(152,478)	(0.50)	Month-end 90 days	-	Payment term is one to two months longer than third parties	128,983	1.49	
ASKEY	SILIGENCE	b	(Sales)	(711,779)	(2.34)	Month-end 90 days	-	Payment term is one to two months longer than third parties	80,881	0.93	
LP	ASKEYJS	b	(Sales)	(9,665,546)	(55.47)	Month-end 90 days	-	Payment term is one to two months longer than third parties	2,008,196	100.00	
LP	ASKEYJS	b	Purchases	7,630,007	43.72	Month-end 90 days	Based on cost of finished goods plus related expenditure of related party	-	(1,465,398)	(73.07)	
UNI	ASKEYJS	b	Purchases	18,833,623	99.97	Month-end 90 days	Based on cost of finished goods plus related expenditure of related party	-	(4,160,937)	(99.87)	
OB	ASKEYJS	b	Purchases	875,346	95.59	Month-end 90 days	Based on cost of finished goods plus related expenditure of related party	-	(127,952)	(82.41)	
ONYX	ONYXHU	b	(Sales)	(269,997)	(27.59)	Month-end 90 days	-	-	74,422	41.66	
AAEON	ONYX	b	(Sales)	(123,336)	(3.24)	Month-end 30 days	-	-	7,400	1.61	
AAEON	ONYXHU	b	(Sales)	(195,506)	(5.13)	Month-end 60 days	-	-	50,338	10.96	
AAEON	AAEONEU	b	(Sales)	(280,378)	(7.36)	Month-end 60 days	-	-	42,762	9.31	
AAEON	AAEONSZ	b	(Sales)	(221,456)	(5.81)	Month-end 60 days	-	-	42,854	9.33	
AAEON	AAEONEI	b	(Sales)	(560,400)	(14.71)	Month-end 60 days	-	-	49,654	10.81	
UPI	MAXCHIP	d	Purchases	322,317	80.22	Month-end 30 days	-	-	(80,558)	(29.14)	
UBIQ	MAXCHIP	d	Purchases	440,237	99.60	Month-end 30 days	-	-	(95,041)	(45.71)	

Note 1 : a. Parent company；b. Subsidiary；c. Associate；d. Other.

Note 2 : In addition to the original transaction terms, accounts receivable hold between each subsidies which 100% owned by ASUS could be extended payment terms and transferred to long-term receivables depend on actual demands of capital, when the transactions continuous.

Note 3 : Including transferred to long-term receivables amount as meeting transaction terms.

Note 4：Sales of raw materials is not considering sales which is deducted from cost of goods sold.

Note 5：Amount denominated in foreign currencies related to income and expenses in this table are re-translated at average exchange rates from January 1, 2017 to December 31, 2017, otherwise are re-translated at the exchange rates prevailing at the end of the financial reporting period.

ASUSTEK COMPUTER INC. AND SUBSIDIARIES

RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT$100 MILLION OR 20% OF THE PAID-IN CAPITAL

DECEMBER 31, 2017

Table 7 (Amounts in thousands of New Taiwan dollars)

Company Name	Related Party	Nature of Relationship (Note 1)	Ending Balance	Turnover		Overdue		Amounts Received in Subsequent Period	Allowance for bad debts
						Amount	Action Taken		
ASUS	ASUTC	b	3,276,581	9.78	times	-	-	3,159,152	-
ASUS	ASGL	b	63,052,049	5.46	times	-	-	50,090,062	-
ASUS	AAEON	b	146,171	3.92	times	-	-	213,132	-
OB	ASUS	a	187,635	3.47	times	-	-	97,012	-
ASGL	ACCQ	b	2,238,224	5.63	times	-	-	1,524,509	-
ASGL	ACI	b	23,475,541	2.46	times	-	-	12,108,177	-
ASGL	ACSH	b	24,981,898	2.47	times	-	-	8,486,721	-
ASGL	ACJP	b	1,831,158	3.39	times	-	-	1,718,098	-
ASGL	ASIN	b	2,421,915	0.98	times	776,937	Keep in reconciliation and dunning monthly	956,321	-
ASGL	ACMH	b	1,228,306	1.03	times	455,421	Keep in reconciliation and dunning monthly	347,800	-
ASGL	ACNL	b	4,888,718	4.42	times	-	-	5,473,475	-
ASKEY	LP	b	540,208	17.86	times	-	-	347,079	-
ASKEY	ASKEYI	b	128,983	2.15	times	-	-	123,217	-
UNI	ASKEY	b	4,177,530	4.33	times	-	-	2,600,830	-
LP	ASKEYJS	b	2,008,196	5.49	times	-	-	1,598,448	-
ASKEYJS	LP	b	1,465,398	6.28	times	-	-	1,255,650	-
ASKEYJS	UNI	b	4,160,937	4.35	times	-	-	2,600,949	-
ASKEYJS	OB	b	127,952	4.19	times	-	-	97,060	-

Note 1：a. Parent company；b. Subsidiary；c. Associate；d. Other.

Note 2：Amount denominated in foreign currencies in this table are re-translated at the exchange rates prevailing at the end of the financial reporting period.

ASUSTEK COMPUTER INC. AND SUBSIDIARIES

INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS
(ONLY DISCLOSE TRANSACTIONS AMOUNT OF AT LEAST NT$100 MILLION)

FOR THE YEAR ENDED DECEMBER 31, 2017

Table 8-1 (Amounts in thousands of New Taiwan dollars)

No. (Note 1)	Company Name	Related Party	Nature of Relationship (Note 2)	Intercompany Transactions			
				Financial Statements Account	Amount	Terms	Percentage of Consolidated Net Revenue or Total Assets (Note 3)
0	ASUS	ASUTC	a	Sales	21,425,001	OA 90	4.94%
0	ASUS	ASGL	a	Sales	305,167,421	OA 180	70.32%
0	ASUS	AAEON	a	Sales	653,840	Month-end 30 days	0.15%
1	OB	ASUS	b	Sales	916,339	Month-end 60 days	0.21%
2	ASMEDIA	ASUS	b	Sales	320,042	Month-end 30 days	0.07%
3	ASGL	ACCQ	c	Sales	9,379,177	OA 180	2.16%
3	ASGL	ACI	c	Sales	59,504,272	OA 180	13.71%
3	ASGL	ACSH	c	Sales	56,393,065	OA 180	12.99%
3	ASGL	ACJP	c	Sales	7,515,200	OA 120	1.73%
3	ASGL	ASIN	c	Sales	2,720,689	OA 180	0.63%
3	ASGL	ACG	c	Sales	572,917	OA 90	0.13%
3	ASGL	ACMH	c	Sales	1,425,664	OA 180	0.33%
3	ASGL	ACNL	c	Sales	24,977,004	OA 180	5.76%
3	ASGL	ACH	c	Sales	121,051	OA 90	0.03%
4	ASKEY	LP	c	Sales	9,890,196	Month-end 90 days	2.28%
4	ASKEY	SILIGENCE	c	Sales	711,779	Month-end 90 days	0.16%
4	ASKEY	ASKEYI	c	Sales	152,478	Month-end 90 days	0.04%
5	UNI	ASKEY	c	Sales	18,805,978	Month-end 90 days	4.33%
6	LP	ASKEY	c	Sales	7,749,195	Month-end 90 days	1.79%
6	LP	ASKEYJS	c	Sales	9,665,546	Month-end 90 days	2.23%
7	ASKEYJS	UNI	c	Sales	18,833,623	Month-end 90 days	4.34%
7	ASKEYJS	LP	c	Sales	7,630,007	Month-end 90 days	1.76%
7	ASKEYJS	OB	c	Sales	875,346	Month-end 90 days	0.20%
8	AAEON	AAEONEU	c	Sales	280,378	Month-end 60 days	0.06%
8	AAEON	ONYX	c	Sales	123,336	Month-end 30 days	0.03%
8	AAEON	AAEONSZ	c	Sales	221,456	Month-end 60 days	0.05%
8	AAEON	AAEONEI	c	Sales	560,400	Month-end 60 days	0.13%
8	AAEON	ONYXHU	c	Sales	195,506	Month-end 60 days	0.05%
9	ONYX	ONYXHU	c	Sales	269,997	Month-end 90 days	0.06%
10	ACSH	ACCQ	c	Maintenance revenue	180,525	Paid within 30 days after receipt of invoice	0.04%
11	ACH	ASGL	c	Maintenance revenue	556,386	Pay on delivery	0.13%
11	ACH	ASGL	c	Marketing support revenue	42	Pay on delivery	0.00%
12	ACCZS	ASGL	c	Maintenance revenue	461,260	Pay on delivery	0.11%
12	ACCZS	ASGL	c	Marketing support revenue	31	Pay on delivery	0.00%
13	ACF	ASGL	c	Marketing support revenue	341,317	Pay on delivery	0.08%
14	ACG	ASGL	c	Marketing support revenue	565,089	Pay on delivery	0.13%
14	ACG	ASGL	c	Maintenance revenue	58	Pay on delivery	0.00%
15	ACHK	ASGL	c	Maintenance revenue	11,764	Pay on delivery	0.00%
15	ACHK	ASGL	c	Marketing support revenue	151,170	Pay on delivery	0.03%
16	ACIN	ASGL	c	Maintenance revenue	203,731	Pay on delivery	0.05%
16	ACIN	ASGL	c	Marketing support revenue	22,675	Pay on delivery	0.01%
17	ACPL	ASGL	c	Marketing support revenue	112,652	Pay on delivery	0.03%
18	ACUK	ASGL	c	Marketing support revenue	215,170	Pay on delivery	0.05%
19	ACVN	ASGL	c	Maintenance revenue	31,011	Pay on delivery	0.01%
19	ACVN	ASGL	c	Marketing support revenue	91,280	Pay on delivery	0.02%
20	ACSZ	ASGL	c	Service revenue	1,991,642	Pay on delivery	0.46%
21	ACAU	ASGL	c	Marketing support revenue	167,000	Pay on delivery	0.04%
22	ACN	ASGL	c	Marketing support revenue	270,295	Pay on delivery	0.06%
23	ACIT	ACNL	c	Marketing support revenue	278,846	Pay on delivery	0.06%
24	ACIB	ACNL	c	Marketing support revenue	156,882	Pay on delivery	0.04%
25	ACS	ASGL	c	Maintenance revenue	201,258	Pay on delivery	0.05%

ASUSTEK COMPUTER INC. AND SUBSIDIARIES

INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS

(ONLY DISCLOSE TRANSACTIONS AMOUNT OF AT LEAST NT$100 MILLION)

DECEMBER 31, 2017

Table 8-2

(Amounts in thousands of New Taiwan dollars)

No. (Note 1)	Company Name	Related Party	Nature of Relationship (Note 2)	Intercompany Transactions			
				Financial Statements Account	Amount	Terms	Percentage of Consolidated Net Revenue or Total Assets (Note 3)
0	ASUS	ASUTC	a	Trade receivables	3,276,581	OA 90	0.95%
0	ASUS	ASGL	a	Trade receivables	63,052,049	OA 180	18.28%
0	ASUS	AAEON	a	Trade receivables	146,171	Month-end 30 days	0.04%
3	ASGL	ACCQ	c	Trade receivables	2,238,224	OA 180	0.65%
3	ASGL	ACI	c	Trade receivables	23,475,541	OA 180	6.81%
3	ASGL	ACSH	c	Trade receivables	24,981,898	OA 180	7.24%
3	ASGL	ACJP	c	Trade receivables	1,831,158	OA 120	0.53%
3	ASGL	ASIN	c	Trade receivables	2,421,915	OA 180	0.70%
3	ASGL	ACMH	c	Trade receivables	1,228,306	OA 180	0.36%
3	ASGL	ACNL	c	Trade receivables	4,888,718	OA 180	1.42%
4	ASKEY	LP	c	Trade receivables	540,208	Month-end 90 days	0.16%
4	ASKEY	ASKEYI	c	Trade receivables	128,983	Month-end 90 days	0.04%
5	UNI	ASKEY	c	Trade receivables	4,177,530	Month-end 90 days	1.21%
6	LP	ASKEYJS	c	Trade receivables	2,008,196	Month-end 90 days	0.58%
7	ASKEYJS	UNI	c	Trade receivables	4,160,937	Month-end 90 days	1.21%
7	ASKEYJS	LP	c	Trade receivables	1,465,398	Month-end 90 days	0.42%
7	ASKEYJS	OB	c	Trade receivables	127,952	Month-end 90 days	0.04%
1	OB	ASUS	b	Trade receivables	187,635	Month-end 60 days	0.05%
20	ACSZ	ASGL	c	Trade receivables	673,195	Pay on delivery	0.20%

Note 1： ASUS and its subsidiaries are coded as follows:

a. ASUS is coded 0.

b. The subsidiaries are coded consecutively beginning from 1 in the order presented in the table above.

Note 2： Transactions are categorized as follows:

a. The parent company to subsidiary.

b. Subsidiary to parent company.

c. Subsidiary to subsidiary.

Note 3： Regarding percentage of transaction amount to consolidated net revenues or total assets, it is computed based on period-end balance of transaction to consolidated total assets for balance sheet accounts and based on accumulated transaction amount for the period to consolidated net revenue for income statement accounts.

Note 4： Only disclose sales and accounts receivables side information for intercompany relationships and significant intercompany transactions. Corresponding purchase and accounts payables information was not be elaborated any further.

Note 5： Amount denominated in foreign currencies related to income and expenses in this table are re-translated at average exchange rates from January 1, 2017 to December 31, 2017, otherwise are re-translated at the exchange rates prevailing at the end of the financial reporting period.

ASUSTEK COMPUTER INC. AND SUBSIDIARIES

NAMES, LOCATIONS, AND RELATED INFORMATION OF INVESTEES OVER WHICH THE COMPANY EXERCISES SIGNIFICANT INFLUENCE

(EXCLUDING INFORMATION ON INVESTMENT IN MAINLAND CHINA)

FOR THE YEAR ENDED DECEMBER 31, 2017

Table 9 (Amounts in thousands of New Taiwan dollars)

				Original Investment Amount		Balance as of December 31, 2017					
Investor Company	Investee Company	Location	Main Businesses	December 31, 2017	December 31, 2016	Shares	Percentage of Ownership	Carrying Value	Net Income (Losses) of the Investee	Share of Profits/Losses of Investee	Note
ASUS	ACI	U.S.A	Selling of 3C products in North America	13,320	13,320	50,000	100.00	-	(431,645)	(431,645)	Note 2 and 4
ASUS	ASUTC	Taiwan	Selling of 3C products in Taiwan	204,244	204,244	19,000,000	100.00	137,732	251,815	251,815	Note 1 and 2
ASUS	ACH	Netherlands	Repairing of 3C products	37,821	37,821	3,000,000	100.00	194,000	10,452	10,452	Note 2
ASUS	AIL	Cayman Islands	Investing in 3C and computer peripheral business	3,281,057	3,281,057	89,730,042	100.00	36,050,354	826,321	826,321	Note 1 and 2
ASUS	AHL	Cayman Islands	Investing in computer peripherals business	662,434	662,434	20,452,104	100.00	601,961	(46,132)	(46,132)	Note 2
ASUS	ASKEY	Taiwan	Designing, manufacturing, repairing and selling of communication products and computer peripheral spare parts	5,021,108	5,021,108	480,000,000	100.00	5,433,871	(1,055,389)	(1,051,298)	Note 2
ASUS	HCVC	Taiwan	Investing in computer peripherals business	1,100,000	1,100,000	114,500,000	100.00	1,687,469	104,858	104,858	Note 2
ASUS	HMI	Taiwan	Investing in computer peripherals business	680,000	680,000	68,000,000	100.00	1,032,224	85,060	85,060	Note 2
ASUS	AGA	Taiwan	Designing and selling of computer peripheral and smart vacuums	140,000	140,000	14,000,000	100.00	25,407	(5,291)	(5,291)	Note 2
ASUS	ASGL	Singapore	Selling of 3C products	838,070	838,070	28,000,000	100.00	26,421,777	7,527,729	8,367,543	Note 2
ASUS	ADI	Singapore	Investing in computer peripherals business	25,290	25,290	830,001	100.00	6,149	(1,213)	(1,213)	Note 2
ASUS	ACJK	Indonesia	Selling of 3C products in Indonesia	60,840	-	2,000	100.00	52,318	(6,389)	(6,389)	Note 2
ASUS	ASUSCLOUD	Taiwan	Selling and consulting of internet service	450,278	450,278	45,027,789	90.06	49,484	(76,593)	(68,976)	Note 2
ASUS and HCVC	ASINT	Taiwan	Selling, designing and manufacturing of memory module which apply to low-end, mid-end and high-end segmentation	87,500	87,500	7,875,000	24.83	-	-	-	Note 2
ASUS and HCVC	SWI	Taiwan	Developing, selling and consulting of information system software	72,146	72,146	5,469,750	51.00	84,437	(8,875)	(4,526)	Note 2
ASUS and HCVC	IUT	Taiwan	Developing, manufacturing and selling of ink-jet print heads and ink-jet digital image output technology	123,227	123,227	11,402,092	56.73	57,515	(31,617)	(17,936)	Note 2
ASUS and HCVC	ACBT	Indonesia	Selling of 3C products in Indonesia	273,775	-	1,000,000	100.00	257,619	(1,291)	(1,291)	Note 2
ASUS、HCVC and HMI	ASMEDIA	Taiwan	Designing, developing and manufacturing of high-speed analog circuit	342,673	342,673	31,775,315	53.11	909,273	432,098	176,740	Note 2
ASUS、HCVC and HMI	EMC	Taiwan	Designing, manufacturing and selling of computer peripheral spare parts	82,297	82,297	6,429,548	20.69	115,372	120,716	9,009	Note 2
ASUS、HCVC and HMI	AAEON	Taiwan	Manufacturing and selling of industrial computers and computer peripherals	3,357,568	3,357,568	60,474,000	56.63	4,238,679	560,197	239,210	Note 2
ASUS、HCVC and HMI	JPX	Taiwan	Designing and selling of computer peripheral spare parts	20,000	20,000	2,000,000	28.57	4,145	(7,362)	(1,094)	Note 2
ASUS、HCVC and HMI	UPI	Taiwan	Designing, developing and selling of integrated circuits	637,128	637,128	35,561,053	52.03	408,652	99,833	37,237	Note 2
ASUS、HMI and AAEON	ONYX	Taiwan	Designing, manufacturing and selling of medical computers	117,680	118,580	11,176,168	55.86	476,343	115,911	6,489	Note 2 and 5
ASKEY	ASKEYI	U.S.A	Selling and servicing of communication products	307,607	307,607	10,000,000	100.00	206,443	(44,433)	-	Note 3
ASKEY	DIC	British Virgin Islands	Investing in communication business	271,695	271,695	8,160,172	100.00	1,656	20,388	-	Note 3
ASKEY	MIC	British Virgin Islands	Investing in computer peripherals business	3,832,534	3,832,534	117,525,738	100.00	3,913,186	(27,329)	-	Note 3
ASKEY	ECOLAND	Taiwan	Green energy industry	21,840	21,840	780,000	33.91	11,260	(20,316)	-	Note 3
DIC	ASKEYVN	Vietnam	Manufacturing and selling of communication products	170,660	184,939	2,883,359	100.00	75,727	1	-	Note 3
DIC	WISE	Hong Kong	Investing in communication and computer peripherals business	40,221	43,586	1,600,000	100.00	-	20,329	-	Note 3 and 4
MIC	MAGICOM	Cayman Islands	Investing in communication business	2,709,053	2,935,718	91,030,000	100.00	3,899,097	8,541	-	Note 3
MIC	OB	British Virgin Islands	Selling of communication products and computer peripherals	1,488	1,613	50,000	100.00	32,806	-	-	Note 3
MIC	LP	Mauritius	Selling of communication products and computer peripherals	1,489,488	1,614,113	50,050,000	100.00	-	(22,570)	-	Note 3 and 4
MIC	UNI	Mauritius	Selling of communication products and computer peripherals	1,488	1,613	50,000	100.00	19,308	-	-	Note 3
MIC	ASKEYCG	Germany	Selling and servicing of communication products	3,894	4,220	100,000	100.00	3,402	15	-	Note 3
MIC	ASKEYTH	Thailand	Intelligent energy-savings service	1,866	-	20,000	100.00	1,538	(293)	-	Note 3
MIC and OB	ASKEYBR	Brazil	Servicing of communication products	13,385	14,505	1,500,000	100.00	4,356	(6,969)	-	Note 3
ASKEY and WISE	SILIGENCE	France	Selling and servicing of communication products	176,873	43,452	4,623,090	95.95	138,605	27,298	-	Note 3
IUT	IUTS	Samoa Islands	Investing in ink-jet print heads and ink-jet digital image output technology business	-	-	-	100.00	-	-	-	Note 3
AGA	AGAHK	Hong Kong	Investing in computer peripherals business	-	71,794	18,820,000	100.00	-	(2)	-	Note 3

Investor Company	Investee Company	Location	Main Businesses	Original Investment Amount		Balance as of December 31, 2017			Net Income (Losses) of the Investee	Share of Profits/Losses of Investee	Note
				December 31, 2017	December 31, 2016	Shares	Percentage of Ownership	Carrying Value			
AAEON	AAEONEI	U.S.A	Selling of industrial computers and computer peripherals	145,824	158,025	490,000	100.00	160,704	(21,414)	-	Note 3
AAEON	AAEONDI	British Virgin Islands	Investing in industrial computers and computer peripherals business	19,636	18,375	50,000	100.00	42,459	(4,288)	-	Note 3
AAEON	AAEONTCL	British Virgin Islands	Investing in industrial computers and interface cards business	262,099	291,468	8,807,097	100.00	272,394	4,496	-	Note 3
AAEON	AAEONEU	Netherlands	Selling of industrial computers and computer peripherals	3,557	3,390	-	100.00	47,162	6,746	-	Note 3
AAEON	AAEONI	Taiwan	Investing in industrial computers and computer peripherals business	150,000	150,000	15,000,000	100.00	119,774	369	-	Note 3
AAEON	LITEMAX	Taiwan	Selling of computer peripherals	70,218	70,218	5,015,050	14.58	85,772	90,259	-	Note 3
AAEONDI	AAEONSG	Singapore	Selling of industrial computers and computer peripherals	12,986	9,782	465,840	100.00	42,399	(1,579)	-	Note 3
AAEONEU	AAEONG	Germany	Selling industrial computers and computer peripherals	10,671	10,170	-	100.00	15,985	1,950	-	Note 3
ONYX	ONYXHU	U.S.A	Selling of medical computers and peripherals	59,520	64,500	200,000	100.00	62,457	9,011	-	Note 3
ONYX	ONYXHE	Netherlands	Marketing support and repairing of medical computers and peripherals	3,557	3,390	100,000	100.00	9,849	1,455	-	Note 3
UPI	UBIQ	Taiwan	Designing, developing and selling of integrated circuits	190,784	190,784	20,000,000	100.00	191,304	(12,494)	-	Note 3
UPI	UPIHK	Hong Kong	Investing in integrated circuits technical support consulting service business	133,561	97,088	4,350,000	100.00	8,721	(30,772)	-	Note 3
UBIQ	JPDJP	Japan	Designing and developing of integrated circuits	18,005	18,005	1,400	100.00	23,878	2,185	-	Note 3
ASUSCLOUD	ASUSCLOUDSG	Singapore	Investing in internet service business	19,935	19,935	-	100.00	308	(418)	-	Note 3
ASUSCLOUD	ASUSCLOUDLB	Luxembourg	Providing maintenance and operating service for information hardware	18,065	18,065	-	100.00	2,739	403	-	Note 3
ASUSCLOUD	ASUSLC	Taiwan	Selling of internet information service	5,000	5,000	500,000	50.00	2,989	(1,738)	-	Note 3
AIL	DDL	British Virgin Islands	Investing in computer peripherals business	339,919	368,360	11,422,000	100.00	343,473	3,525	-	Note 3
AIL	CHANNEL	British Virgin Islands	Investing in 3C business	893,782	968,564	30,033,000	100.00	35,683,707	785,291	-	Note 3
AIL	UHL	Cayman Islands	Investing in automotive electronics and computer peripherals business	193,440	209,625	6,500,000	100.00	76,872	(2,029)	-	Note 3
AIL	POTIXC	Cayman Islands	Designing and training of WEB application software	29,760	32,250	5,000,000	22.22	24,376	13,840	-	Note 3
CHANNEL	ASTP	Singapore	Investing in 3C business	892,874	967,581	44,419,424	100.00	40,072,909	(265,712)	-	Note 3
CHANNEL and ASTP	ACAE	United Arab Emirates	Marketing support and repairing of 3C productsin Middle East	4,104	4,448	5	100.00	12,265	1,925	-	Note 3
CHANNEL and ASTP	ACEG	Egypt	Marketing support of 3C productsin Egypt	744	807	-	100.00	1,708	(93)	-	Note 3
CHANNEL and ASTP	ASID	Indonesia	Repairing of 3C products in Asia-pacific and America	44,640	48,375	1,500,000	100.00	38,024	548	-	Note 3
CHANNEL、ASTP and ACNL	ACTH	Thailand	Marketing support of 3C products in Thailand	14,059	15,235	20,000	100.00	16,619	2,216	-	Note 3
ASTP	ACG	Germany	Selling and marketing support of 3C products in Germany	2,819	3,055	-	100.00	138,021	12,708	-	Note 3
ASTP	ACF	France	Marketing support of 3C products in France	1,484	1,608	5,300	100.00	42,380	9,199	-	Note 3
ASTP	ACUK	U.K.	Marketing support of 3C products in United Kingdom	2,685	2,910	50,000	100.00	36,927	4,321	-	Note 3
ASTP	ACHK	Hong Kong	Marketing support and repairing of 3C products in Hong Kong	1,915	2,075	500,000	100.00	8,167	1,047	-	Note 3
ASTP	ACKR	South Korea	Marketing support and repairing of 3C products in South Korea	10,295	40,432	158,433	100.00	48,028	10,347	-	Note 3
ASTP	ACSG	Singapore	Repairing of 3C products in Singapore	377	409	20,002	100.00	8,473	6,656	-	Note 3
ASTP	ACPL	Poland	Marketing support of 3C products in Poland	482	523	1,000	100.00	51,282	2,612	-	Note 3
ASTP	ACIN	India	Marketing support and repairing of 3C products in India	246,040	266,626	20,134,400	100.00	291,333	69,709	-	Note 3
ASTP	ACNL	Netherlands	Selling of 3C products	17,325	18,775	375,000	100.00	675,569	235,116	-	Note 3
ASTP	ACVN	Vietnam	Repairing of 3C products in Vietnam	2,381	2,580	-	100.00	12,993	1,947	-	Note 3
ASTP	ACIT	Italy	Marketing support of 3C products in Italy	545,988	591,671	-	100.00	20,956	4,010	-	Note 3
ASTP	ACIB	Spain	Marketing support of 3C products in Spain	18	19	3,000	100.00	34,798	2,161	-	Note 3
ASTP	ACJP	Japan	Selling of 3C products in Japan	72,841	78,936	20,500	100.00	173,890	94,445	-	Note 3
ASTP	ACCZ	Czech Republic	Marketing support of 3C products in Czech Republic	2,466	2,672	-	100.00	14,333	492	-	Note 3
ASTP	ASAU	Australia	Repairing of 3C products in Australia	28,727	31,131	950,000	100.00	33,154	(12,994)	-	Note 3
ASTP	ACAU	Australia	Marketing support of 3C products in Australia	10,738	11,636	350,000	100.00	46,512	10,124	-	Note 3
ASTP	ACIL	Israel	Marketing support of 3C products in Israel	387	419	50,000	100.00	2,371	1,136	-	Note 3
ASTP	ACCO	Colombia	Marketing support of 3C products in Colombia	893	968	74,489	100.00	99	(584)	-	Note 3
ASTP	ACZA	South Africa	Marketing support and repairing of 3C products in Africa	2	-	1,000	100.00	3,763	2,381	-	Note 3
ASTP	ACMY	Malaysia	Marketing support and repairing of 3C products in Malaysia	3,478	-	500,000	100.00	16,775	1,849	-	Note 3
ASTP and ACH	ACCZS	Czech Republic	Repairing of 3C products in Europe	8,532	9,242	-	100.00	83,396	4,814	-	Note 3
ASTP and ACNL	ACPE	Peru	Marketing support of 3C products in Peru	12	13	1,000	100.00	2,045	822	-	Note 3

Investor Company	Investee Company	Location	Main Businesses	Original Investment Amount December 31, 2017	Original Investment Amount December 31, 2016	Balance as of December 31, 2017 Shares	Balance as of December 31, 2017 Percentage of Ownership	Balance as of December 31, 2017 Carrying Value	Net Income (Losses) of the Investee	Share of Profits/Losses of Investee	Note
ASTP and ACNL	ACMH	Mexico	Selling of 3C products in Mexico	113,075	122,395	51,120	100.00	-	1,109	-	Note 3 and 4
ASTP and ACNL	ACBZ	Brazil	Selling of 3C products in Brazil	5,866,044	6,356,810	549,469,000	100.00	4,852,293	469,753	-	Note 3
ASTP and ACNL	ASIN	India	Selling of 3C products in India	201,698	218,574	33,500,000	100.00	-	(56,888)	-	Note 3 and 4
ASTP and ACMH	ACMX	Mexico	Marketing support of 3C products in Mexico	302	328	132	100.00	4,055	747	-	Note 3
ACNL	ACHU	Hungary	Marketing support and repairing of 3C products in Hungary	1,778	1,695	-	100.00	8,162	843	-	Note 3
ACNL	ACPT	Portugal	Marketing support of 3C products in Portugal	1,067	1,017	30,000	100.00	9,838	826	-	Note 3
ACNL	ACCH	Switzerland	Marketing support of 3C products in Switzerland	8,128	7,747	3,400	100.00	21,806	1,355	-	Note 3
ACNL	ACN	Sweden	Marketing support of 3C products in North Europe	1,133	1,080	3,000	100.00	54,654	5,665	-	Note 3
UHL	UEI	Taiwan	Manufacturing and selling of automotive electronics and computer peripherals	191,884	207,939	21,300,000	100.00	76,830	(2,010)	-	Note 3
AHL	NEXTS	Cayman Islands	Investing in cloud computing service business	87,886	87,886	8,560,974	43.48	76,949	(19,176)	-	Note 3

Note 1：Original investment amount excludes other interest oriented from shareholders' stock trust which distributes to employees.

Note 2：Only disclose the share of profits/losses of investee recognized by ASUS.

Note 3：According to regulation, the share of profits/losses of the investee company is not reflected herein.

Note 4：Credit balance of investments accounted for under equity method is transferred to other liabilities - non-current.

Note 5：Percentage of ownership represents controlling ratio not consolidated shareholding percentage.

Note 6：Amount denominated in foreign currencies related to income and expenses in this table are re-translated at average exchange rates from January 1, 2017 to December 31, 2017,

ASUSTEK COMPUTER INC. AND SUBSIDIARIES

INFORMATION ON INVESTMENTS IN MAINLAND CHINA

FOR THE YEAR ENDED DECEMBER 31, 2017

Table 10

(Amounts in thousands of New Taiwan dollars and foreign currencies)

Investee Company	Main Businesses	Total Amount of Paid-in Capital	Method of Investment (Note 1)	Beginning Balance of Accumulated Outflow of Investment from Taiwan	Investment Flows		Ending Balance Accumulated Outflow of Investment from Taiwan	Net Income (Losses) of the Investee Company	Percentage of Ownership	Investment Income (Loss) Recognized in Current Period (Note 2 b 、 c)	Carrying Amount as of December 31, 2017 (Note 2 b、c and 3)	Ending Balance of Accumulated Inward Remittance of Earnings	Note (Note 1 b)
					Outflow	Inflow							
ACSH	Selling of 3C products in China	241,056	b	241,056	-	-	241,056	(495,806)	100.00	(495,806)	-	-	ASTP Invested
ACS	Repairing support of 3C products	59,520	b	59,520	-	-	59,520	3,046	100.00	3,046	66,519	-	ASTP Invested
ACSZ	Researching and developing of 3C products	1,458,240	b	1,458,240	-	-	1,458,240	288,758	100.00	288,758	2,830,053	-	ASTP Invested
ACCQ	Selling of 3C products in China	2,053,440	b	2,053,440	-	-	2,053,440	472,997	100.00	472,997	4,925,987	-	ASTP Invested
ACISZ	Leasing real estate	488,508	c	-	-	-	-	(2,650)	100.00	(2,650)	463,885	-	-
ASKEYSH	Developing and selling of communication products	89,280	b	89,280	-	-	89,280	(6,122)	100.00	(6,122)	6,223	-	MIC Invested
ASKEYJS	Manufacturing and selling of communication products	2,678,400	b	2,678,400	-	-	2,678,400	7,179	100.00	7,179	3,769,597	-	MAGICOM Invested
ASKEYMWJ	Manufacturing and selling of communication products	89,280	b	89,280	-	-	89,280	1,123	100.00	1,123	93,412	-	MAGICOM Invested
AAEONSZ	Manufacturing and selling of industrial computers and interface cards	258,622	b	258,622	-	-	258,622	4,786	100.00	4,786	276,116	-	AAEONTCL Invested
ONYXSH	Selling of medical computers and peripherals	44,640	a	20,832	23,808	-	44,640	(10,141)	100.00	(10,141)	10,366	-	-
EMES	Selling and consulting of information system software	8,928	a	8,928	-	-	8,928	718	100.00	718	10,266	-	-
UPISZ	Marketing support and technical service of integrated circuits	8,184	b	8,184	9,130	-	17,314	(2,999)	100.00	(2,999)	7,890	-	UPIHK Invested
9SKY HANGZHOU	Manufacturing and serving of data storage media	89,280	c	5,102	-	-	5,102	-	5.71	-	-	-	-
9SKY SHANGHAI	Manufacturing and serving of data storage media	29,760	c	1,358	-	-	1,358	-	5.71	-	-	-	-
EOSTEK SHENZHEN	Smart TV and projector platform service	208,320	c	53,330	-	-	53,330	-	14.95	-	-	-	-

Company Name	Ending Balance of Accumulated Investment in Mainland China	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment Authorized by Investment Commission, MOEA
ASUS	4,425,384 USD 148,702	5,806,248 USD 195,102	105,086,511
ASKEY	3,243,840 USD 109,000	3,243,840 USD 109,000	3,260,313
AAEON	258,622 USD 8,690	258,622 USD 8,690	2,799,146
SWI	8,928 USD 300	10,118 USD 340	98,138
UPI	17,112 USD 575	17,112 USD 575	471,242
ONYX	44,640 USD 1,500	44,640 USD 1,500	522,180

Note 1：The methods for engaging in investment in Mainland China include the following:

a. Direct investment in Mainland China.

b. Indirectly investment in Mainland China through companies registered in a third region (Please specify the name of the company in third region).

c. Other methods.

Note 2：The investment income (loss) recognized in current period:

Please specify no investment income (loss) has been recognized due to the investment is still during development stage.

The investment income (loss) were determined based on the following basis:

a. The financial report was audited and certified by an international accounting firm in cooperation with an R.O.C. accounting firm.

b. The financial statements was audited and certificated by independent auditors of the parent company in Taiwan.

c. Others.

Note 3：Credit balance of investments accounted for under equity method of ACSH is transferred to other liabilities - non-current.

Note 4：AGASZ completed the liquidation procedures and cancelled business registration in the first quarter of 2017.

Note 5：ASUSCLOUDTJ completed the liquidation procedures and cancelled business registration in the fourth quarter of 2017.

Note 6：Amount denominated in foreign currencies related to income and expenses in this table are re-translated at average exchange rates from January 1, 2017 to December 31, 2017, otherwise are re-translated at the exchange rates prevailing at the end of the financial reporting period.